

# CONTRA COSTA COUNTY

## Audit Report

### ANIMAL ADOPTION PROGRAM

Chapter 752, Statutes of 1998,  
and Chapter 313, Statutes of 2004

*July 1, 1998, through June 30, 2008,  
excluding July 1, 2003, through June 30, 2004*



JOHN CHIANG  
California State Controller

January 2011



**JOHN CHIANG**  
**California State Controller**

January 7, 2011

The Honorable John Gioia, Chairman  
Board of Supervisors  
Contra Costa County  
651 Pine Street, Room 107  
Martinez, CA 94553

Dear Mr. Gioia:

The State Controller's Office audited the costs claimed by Contra Costa County for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998 and Chapter 313, Statutes of 2004) for the period of July 1, 1998, through June 30, 2008, excluding July 1, 2003, through June 30, 2004.

The county claimed \$11,451,157 (\$11,452,157 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$5,521,096 is allowable and \$5,930,661 is unallowable. The costs are unallowable because the county understated allowable costs, misstated animal census data, claimed unsupported and ineligible costs, overstated time-study results, understated employee productive hourly rates and employee benefit rates, made transposition and calculation errors, and misstated indirect cost rates. The State paid the county \$7,330,509. The amount paid exceeds allowable costs claimed by \$1,809,413.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/sk

cc: The Honorable Robert Campbell, Auditor-Controller  
Contra Costa County  
Glenn Howell, Director  
Animal Services Department, Contra Costa County  
Al Prince, Administrative Services Officer  
Animal Services Department, Contra Costa County  
Jeff Carosone, Principal Program Budget Analyst  
Cor-Gen Unit, Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office audited the costs claimed by Contra Costa County for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998 and Chapter 313, Statutes of 2004) for the period of July 1, 1998, through June 30, 2008, excluding July 1, 2003, through June 30, 2004.

The county claimed \$11,451,157 (\$11,452,157 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$5,521,096 is allowable and \$5,930,661 is unallowable. The costs are unallowable because the county understated allowable costs, misstated animal census data, claimed unsupported and ineligible costs, overstated time-study results, understated employee productive hourly rates and employee benefit rates, made transposition and calculation errors, and misstated indirect cost rates. The State paid the county \$7,330,509. The amount paid exceeds allowable costs claimed by \$1,809,413.

## Background

Food and Agriculture Code sections 31108, 31752-31753, 32001, and 32003 (added and amended by Chapter 752, Statutes of 1998) attempted to end the euthanasia of adoptable and treatable animals. It expressly identifies the state policy that "no adoptable animal should be euthanized if it can be adopted into a suitable home" and that "no treatable animal should be euthanized." The legislation increases the holding period for stray and abandoned dogs, cats, and other specified animals. It also requires public or private shelters to:

- Verify the temperament of feral cats;
- Post lost and found lists;
- Maintain records for impounded animals; and
- Ensure that impounded animals receive necessary and prompt veterinary care.

On January 25, 1981, the Commission on State Mandates (CSM) determined that Chapter 752, Statutes of 1998, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on February 28, 2002, corrected them on March 20, 2002, and last amended them on January 26, 2006. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

For fiscal year (FY) 2003-04, the Legislature suspended the Animal Adoption Program.

**Objective, Scope,  
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Animal Adoption Program for the period of July 1, 1998, through June 30, 2008, excluding July 1, 2003, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Contra Costa County claimed \$11,451,157 (\$11,452,157 less a \$1,000 penalty for filing a late claim) for costs of the Animal Adoption Program. Our audit disclosed that \$5,521,096 is allowable and \$5,930,061 is unallowable.

For the FY 1998-99 claim, the State paid the county \$356,084. Our audit disclosed that \$134,231 is allowable. The State will offset \$221,853 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 1999-2000 claim, the State paid the county \$1,207,155. Our audit disclosed that \$467,538 is allowable. The State will offset \$739,617 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2000-01 claim, the State paid the county \$1,306,507. Our audit disclosed that \$502,438 is allowable. The State will offset \$804,069 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2001-02 claim, the State made no payment to the county. Our audit disclosed that \$607,389 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$607,389, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the county. Our audit disclosed that \$724,814 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$724,814, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$2,610,183. Our audit disclosed that \$1,235,497 is allowable. The State will offset \$1,374,686 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2005-06 claim, the State paid the county \$949,209. Our audit disclosed that \$577,235 is allowable. The State will offset \$371,974 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2006-07 claim, the State paid the county \$901,371. Our audit disclosed that \$577,872 is allowable. The State will offset \$323,499 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2007-08 claim, the State made no payment to the county. Our audit disclosed that \$694,082 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$694,082, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on November 24, 2010. Glenn E. Howell, Director, Animal Services Department, responded by letter dated January 3, 2011 (Attachment), agreeing with the audit results except for Findings 2, 3, 8, and 11. This final audit report includes the county's response.

**Restricted Use**

This report is solely for the information and use of Contra Costa County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

January 7, 2011

**Schedule 1—  
Summary of Program Costs  
July 1, 1998, through June 30, 2008, excluding  
July 1, 2003, through June 30, 2004**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 1998, through June 30, 1999</u>				
Direct costs:				
Policies and procedures	\$ 1,446	\$ 1,446	\$ —	
Computer software	19,483	15,586	(3,897)	Finding 1
Construction of new facilities	64,285	3,114	(61,171)	Finding 2
Care and maintenance of other animals <sup>2</sup>	—	1,233	1,233	Finding 3
Feral cats	17,371	5,258	(12,113)	Finding 5
Lost and found lists	49,969	24,438	(25,531)	Finding 6
Non-medical records	141,560	57,655	(83,905)	Finding 7
Necessary and prompt veterinary care	—	1,766	1,766	Finding 8
Total direct costs	294,114	110,496	(183,618)	
Indirect costs	61,970	23,735	(38,235)	Finding 11
Total program costs	<u>\$ 356,084</u>	<u>134,231</u>	<u>\$ (221,853)</u>	
Less amount paid by the State		<u>(356,084)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (221,853)</u>		
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Policies and procedures	\$ 9,987	\$ 9,987	\$ —	
Computer software	10,560	8,448	(2,112)	Finding 1
Construction of new facilities	65,104	15,471	(49,633)	Finding 2
Care and maintenance of dogs and cats <sup>2</sup>	91,672	24,949	(66,723)	Finding 3
Care and maintenance of other animals <sup>2</sup>	—	6,937	6,937	Finding 3
Increased holding period	260,455	90,770	(169,685)	Finding 4
Feral cats	45,685	11,727	(33,958)	Finding 5
Lost and found lists	109,367	51,395	(57,972)	Finding 6
Non-medical records	330,440	137,745	(192,695)	Finding 7
Necessary and prompt veterinary care	11,226	6,765	(4,461)	Finding 8
Procuring equipment	35,877	3,602	(32,275)	Finding 9
Total direct costs	970,373	367,796	(602,577)	
Indirect costs	236,782	99,742	(137,040)	Finding 11
Total program costs	<u>\$ 1,207,155</u>	<u>467,538</u>	<u>\$ (739,617)</u>	
Less amount paid by the State		<u>(1,207,155)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (739,617)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Policies and procedures	\$ 507	\$ 507	\$ —	
Computer software	12,330	9,864	(2,466)	Finding 1
Construction of new facilities	117,432	26,190	(91,242)	Finding 2
Care and maintenance of dogs and cats <sup>2</sup>	121,420	16,237	(105,183)	Finding 3
Care and maintenance of other animals <sup>2</sup>	—	2,116	2,116	Finding 3
Increased holding period	267,134	116,873	(150,261)	Finding 4
Feral cats	20,552	11,709	(8,843)	Finding 5



**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<b><u>July 1, 2000, through June 30, 2001 (continued)</u></b>				
Lost and found lists	126,809	73,581	(53,228)	Finding 6
Non-medical records	312,689	128,124	(184,565)	Finding 7
Necessary and prompt veterinary care	44,325	4,696	(39,629)	Finding 8
Procuring equipment	31,099	—	(31,099)	Finding 9
Total direct costs	1,054,297	389,897	(664,400)	
Indirect costs	252,210	112,541	(139,669)	Finding 11
Total program costs	<u>\$ 1,306,507</u>	502,438	<u>\$ (804,069)</u>	
Less amount paid by the State		(1,306,507)		
Allowable costs claimed in excess of (less than) amount paid		<u><u>\$ (804,069)</u></u>		
<b><u>July 1, 2001, through June 30, 2002</u></b>				
Direct costs:				
Computer software	\$ 13,290	\$ 10,632	\$ (2,658)	Finding 1
Construction of new facilities	293,706	104,122	(189,584)	Finding 2
Care and maintenance of dogs and cats <sup>2</sup>	107,279	28,953	(78,326)	Finding 3
Care and maintenance of other animals <sup>2</sup>	—	2,118	2,118	Finding 3
Increased holding period	265,057	116,854	(148,203)	Finding 4
Feral cats	28,258	11,230	(17,028)	Finding 5
Lost and found lists	146,655	98,045	(48,610)	Finding 6
Non-medical records	292,274	121,636	(170,638)	Finding 7
Necessary and prompt veterinary care	48,120	6,391	(41,729)	Finding 8
Procuring equipment	41,608	3,543	(38,065)	Finding 9
Miscellaneous – calculation error	18,000	—	(18,000)	Finding 10
Total direct costs	1,254,247	503,524	(750,723)	
Indirect costs	231,868	103,865	(128,003)	Finding 11
Total program costs	<u>\$ 1,486,115</u>	607,389	<u>\$ (878,726)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u><u>\$ 607,389</u></u>		
<b><u>July 1, 2002, through June 30, 2003</u></b>				
Direct costs:				
Computer software	\$ 15,120	\$ 12,096	\$ (3,024)	Finding 1
Construction of new facilities	206,003	93,619	(112,384)	Finding 2
Care and maintenance of dogs and cats <sup>2</sup>	95,557	19,219	(76,338)	Finding 3
Care and maintenance of other animals <sup>2</sup>	—	3,986	3,986	Finding 3
Increased holding period	348,256	173,388	(174,868)	Finding 4
Feral cats	34,132	12,514	(21,618)	Finding 5
Lost and found lists	151,159	100,069	(51,090)	Finding 6
Non-medical records	326,246	123,066	(203,180)	Finding 7
Necessary and prompt veterinary care	64,443	6,572	(57,871)	Finding 8
Procuring equipment	49,151	—	(49,151)	Finding 9
Total direct costs	1,290,067	544,529	(745,538)	
Indirect costs	416,663	181,285	(235,378)	Finding 11
Total direct and indirect costs	1,706,730	725,814	(980,916)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 1,705,730</u>	724,814	<u>\$ (980,916)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u><u>\$ 724,814</u></u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<b><u>July 1, 2004, through June 30, 2005</u></b>				
Direct costs:				
Computer software	\$ —	\$ 22,080	\$ 22,080	Finding 1
Construction of new facilities	893,204	445,824	(447,380)	Finding 2
Care and maintenance of dogs and cats <sup>2</sup>	117,701	48,290	(69,411)	Finding 3
Care and maintenance of other animals <sup>2</sup>	—	4,785	4,785	Finding 3
Increased holding period	434,083	229,736	(204,347)	Finding 4
Feral cats	39,053	16,108	(22,945)	Finding 5
Lost and found lists	166,536	99,133	(67,403)	Finding 6
Non-medical records	375,111	140,939	(234,172)	Finding 7
Necessary and prompt veterinary care	133,032	8,060	(124,973)	Finding 8
Procuring equipment	111,886	—	(111,886)	Finding 9
Total direct costs	2,270,606	1,014,955	(1,255,651)	
Indirect costs	339,577	220,542	(119,035)	Finding 11
Total program costs	<u>\$ 2,610,183</u>	<u>1,235,497</u>	<u>\$ (1,374,686)</u>	
Less amount paid by the State		(2,610,183)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (1,374,686)</u>		
<b><u>July 1, 2005, through June 30, 2006</u></b>				
Direct costs:				
Computer software	\$ —	\$ 22,080	\$ 22,080	Finding 1
Care and maintenance of dogs and cats <sup>2</sup>	55,431	44,618	(10,813)	Finding 3
Care and maintenance of other animals <sup>2</sup>	—	5,025	5,025	Finding 3
Increased holding period	509,491	275,227	(234,264)	Finding 4
Feral cats	7,560	9,473	1,913	Finding 5
Lost and found lists	33,331	3,396	(29,935)	Finding 6
Non-medical records	62,886	84,109	21,223	Finding 7
Necessary and prompt veterinary care	104,455	10,954	(93,501)	Finding 8
Procuring equipment	23,836	—	(23,836)	Finding 9
Miscellaneous – calculation error	73	—	(73)	Finding 10
Total direct costs	797,063	454,882	(342,181)	
Indirect costs	152,146	122,353	(29,793)	Finding 11
Total program costs	<u>\$ 949,209</u>	<u>577,235</u>	<u>\$ (371,974)</u>	
Less amount paid by the State		(949,209)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (371,974)</u>		
<b><u>July 1, 2006, through June 30, 2007</u></b>				
Direct costs:				
Computer software	\$ —	\$ 22,080	\$ 22,080	Finding 1
Care and maintenance of dogs and cats <sup>2</sup>	63,019	47,744	(15,275)	Finding 3
Care and maintenance of other animals <sup>2</sup>	—	2,225	2,225	Finding 3
Increased holding period	477,235	284,424	(192,811)	Finding 4
Feral cats	8,049	10,302	2,253	Finding 5
Lost and found lists	38,352	8,866	(29,486)	Finding 6
Non-medical records	65,856	96,415	30,559	Finding 7
Necessary and prompt veterinary care	107,695	11,778	(95,917)	Finding 8
Procuring equipment	32,487	—	(32,487)	Finding 9
Total direct costs	792,693	483,834	(308,859)	
Indirect costs	108,678	94,038	(14,640)	Finding 10
Total program costs	<u>\$ 901,371</u>	<u>577,872</u>	<u>\$ (323,499)</u>	
Less amount paid by the State		(901,371)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (323,499)</u>		

**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<b><u>July 1, 2007, through June 30, 2008</u></b>				
Direct costs:				
Computer software	\$ —	\$ 23,902	\$ 23,902	Finding 1
Care and maintenance of dogs and cats <sup>2</sup>	—	49,692	49,692	Finding 3
Care and maintenance of other animals <sup>2</sup>	—	3,972	3,972	Finding 3
Increased holding period	509,734	279,852	(229,882)	Finding 4
Feral cats	7,505	10,232	2,727	Finding 5
Lost and found lists	46,503	17,203	(29,300)	Finding 6
Non-medical records	62,406	94,052	31,646	Finding 7
Necessary and prompt veterinary care	146,170	14,390	(131,780)	Finding 8
Procuring equipment	36,097	—	(36,097)	Finding 9
Total direct costs	808,415	493,295	(315,120)	
Indirect costs	120,388	200,787	80,399	Finding 11
Total program costs	<u>\$ 928,803</u>	<u>694,082</u>	<u>\$ (234,721)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 694,082</u>		
<b><u>Summary: July 1, 1998, through June 30, 2008</u></b>				
Direct costs:				
Policies and procedures	\$ 11,940	\$ 11,940	\$ —	
Computer software	70,783	146,768	75,985	
Construction of new facilities	1,639,734	688,340	(951,394)	
Care and maintenance of dogs and cats <sup>2</sup>	652,079	279,702	(372,377)	
Care and maintenance of other animals <sup>2</sup>	—	32,397	32,397	
Increased holding period	3,071,445	1,567,124	(1,504,321)	
Feral cats	208,165	98,553	(109,612)	
Lost and found lists	868,681	476,126	(392,555)	
Non-medical records	1,969,468	983,741	(985,727)	
Necessary and prompt veterinary care	659,466	71,372	(588,094)	
Procuring equipment	362,041	7,145	(354,896)	
Miscellaneous – calculation error	18,073	—	(18,073)	
Total direct costs	9,531,875	4,363,208	(5,168,667)	
Indirect costs	1,920,282	1,158,888	(761,394)	
Total direct and indirect costs	11,452,157	5,522,096	(5,930,061)	
Less late penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 11,451,157</u>	<u>5,521,096</u>	<u>\$ (5,930,061)</u>	
Less amount paid by the State		(7,330,509)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (1,809,413)</u>		
<b><u>Recap: by Object Account</u></b>				
Direct costs:				
Salaries and benefits	\$ 6,755,256	\$ 3,310,720	\$ (3,444,536)	
Materials and supplies	2,437,347	902,806	(1,534,541)	
Contract services	320,898	149,308	(171,590)	
Travel and training	374	374	—	
Miscellaneous – calculation error	18,000	—	(18,000)	
Total direct costs	9,531,875	4,363,208	(5,168,667)	
Indirect costs	1,920,282	1,158,888	(761,394)	
Less late payment penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 11,451,157</u>	<u>\$ 5,521,096</u>	<u>\$ (5,930,661)</u>	

<sup>1</sup> See the Findings and Recommendations section.<sup>2</sup> See Schedule 2—Summary of Care and Maintenance Calculations.

**Schedule 2—  
Summary of Care and Maintenance Calculations<sup>1</sup>  
July 1, 1998, through June 30, 2008, excluding  
July 1, 2003, through June 30, 2004**

Cost Elements	Actual Costs Claimed	Allowable per Audit		Audit Adjustments
		Salaries and Benefits	Materials and Supplies	
<u>July 1, 1998, through June 30, 1999</u>				
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	\$ —	\$ 147,098	\$ —	
Percentage of other “eligible” animals to total animals	—	× 4.81%	—	
Total care and maintenance costs for other “eligible” animals	—	7,075	—	
Total other “eligible” animal kennel days	—	÷ 2,995	—	
Cost per other “eligible” animal per day	—	\$2.362	—	
Number of other ‘eligible’ animals	—	× 87	—	
Number of reimbursable days	—	× 6	—	
Total care and maintenance costs for other ‘eligible’ animals	<u>\$ —</u>	<u>\$ 1,233</u>	<u>\$ —</u>	<u>\$ 1,233</u>
<u>July 1, 1999, through June 30, 2000</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 892,281	\$ 346,318	\$ 97,908	
Percentage of dogs and cats to total animals	× 100%	× 93.35%	× 93.35%	
Total care and maintenance costs for dogs and cats	892,281	323,288	91,397	
Total dog and cat kennel days	÷ 131,839	÷ 124,160	÷ 124,160	
Cost per dog and cat per day	\$6.768	\$2.604	\$0.736	
Number of eligible dogs and cats <sup>2</sup>	× 6,888	× 2,490	× 2,490	
Number of reimbursable days <sup>3</sup>	× 1.96646	× 3	× 3	
Total care and maintenance costs for dogs and cats	91,672	19,450	5,499	
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	—	346,318	97,908	
Percentage of other “eligible” animals to total animals	—	× 4.02%	× 4.02%	
Total care and maintenance costs for other “eligible” animals	—	13,922	3,936	
Total other “eligible” animal kennel days	—	÷ 2,348	÷ 2,348	
Cost per other “eligible” animal per day	—	\$ 5.929	\$ 1.676	
Number of other “eligible” animals	—	× 152	× 152	
Number of reimbursable days	—	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	—	5,408	1,529	
Total care and maintenance costs	<u>\$ 91,672</u>	<u>\$ 24,858</u>	<u>\$ 7,028</u>	<u>\$ (59,786)</u>

**Schedule 2 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit		Audit Adjustments
		Salaries and Benefits	Materials and Supplies	
<u>July 1, 2000, through June 30, 2001</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 1,258,381	\$ 334,265	\$ 59,139	
Percentage of dogs and cats to total animals	× 100%	× 93.98%	× 93.98%	
Total care and maintenance costs for dogs and cats	1,258,381	314,142	55,579	
Total dog and cat kennel days	÷ 116,428	÷ 112,718	÷ 112,718	
Cost per dog and cat per day	\$10.808	\$2.787	\$0.493	
Number of eligible dogs and cats <sup>2</sup>	× 5,690	× 1,650	× 1,650	
Number of reimbursable days <sup>3</sup>	× 1.97439	× 3	× 3	
Total care and maintenance costs for dogs and cats	121,420	13,796	2,441	
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	—	334,265	59,139	
Percentage of other “eligible” animals to total animals	—	× 3.223%	× 3.223%	
Total care and maintenance costs for other “eligible” animals	—	10,773	1,906	
Total other “eligible” animal kennel days	—	÷ 2,517	÷ 2,517	
Cost per other “eligible” animal per day	—	\$ 4.280	\$ 0.757	
Number of other “eligible” animals	—	× 70	× 70	
Number of reimbursable days	—	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	—	1,798	318	
Total care and maintenance costs	\$ 121,420	\$ 15,594	\$ 2,759	\$ (103,067)
<u>July 1, 2001, through June 30, 2002</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 1,286,495	\$ 423,737	\$ 82,228	
Percentage of dogs and cats to total animals	× 100%	× 91.64%	× 91.64%	
Total care and maintenance costs for dogs and cats	1,286,495	388,313	75,354	
Total dog and cat kennel days	÷ 119,898	÷ 107,664	÷ 107,664	
Cost per dog and cat per day	\$10.730	\$3.607	\$0.700	
Number of eligible dogs and cats <sup>2</sup>	× 5,093	× 2,241	× 2,241	
Number of reimbursable days <sup>3</sup>	× 1.96309	× 3	× 3	
Total care and maintenance costs for dogs and cats	107,279	24,248	4,705	
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	—	423,737	82,228	
Percentage of other “eligible” animals to total animals	—	× 4.82%	× 4.82%	
Total care and maintenance costs for other “eligible” animals	—	20,424	3,963	
Total other “eligible” animal kennel days	—	÷ 9,462	÷ 9,462	
Cost per other “eligible” animal per day	—	\$2.159	\$0.419	
Number of other “eligible” animals	—	× 137	× 137	
Number of reimbursable days	—	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	—	1,774	344	
Total care and maintenance costs	\$ 107,279	\$ 26,022	\$ 5,049	\$ (76,208)

**Schedule 2 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit		Audit Adjustments
		Salaries and Benefits	Materials and Supplies	
<u>July 1, 2002, through June 30, 2003</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 1,465,463	\$ 289,856	\$ 79,540	
Percentage of dogs and cats to total animals	× 100%	× 91.04%	× 91.04%	
Total care and maintenance costs for dogs and cats	1,465,463	263,885	72,413	
Total dog and cat kennel days	÷ 122,228	÷ 111,867	÷ 111,867	
Cost per dog and cat per day	\$11.990	\$2.359	0.647	
Number of eligible dogs and cats <sup>2</sup>	× 4,011	× 2,131	× 2,131	
Number of reimbursable days <sup>3</sup>	× 1.98697	× 3	× 3	
Total care and maintenance costs for dogs and cats	95,557	15,081	4,138	
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	—	289,856	79,540	
Percentage of other “eligible” animals to total animals	—	× 5.59%	× 5.59%	
Total care and maintenance costs for other “eligible” animals	—	16,203	4,446	
Total other “eligible” animal kennel days	—	÷ 3,511	÷ 3,511	
Cost per other “eligible” animal per day	—	\$4.615	\$ 1.266	
Number of other “eligible” animals	—	× 113	× 113	
Number of reimbursable days	—	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	—	3,128	858	
Total care and maintenance costs	\$ 95,557	\$ 18,209	\$ 4,996	\$ (72,352)
<u>July 1, 2004, through June 30, 2005</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 2,006,333	\$ 763,207	\$ 163,299	
Percentage of dogs and cats to total animals	× 100%	× 90.27%	× 90.27%	
Total care and maintenance costs for dogs and cats	2,006,333	688,947	147,410	
Total dog and cat kennel days	÷ 118,487	÷ 111,970	÷ 111,970	
Cost per dog and cat per day	\$16.933	\$6.153	\$1.317	
Number of eligible dogs and cats <sup>2</sup>	× 3,513	× 2,155	× 2,155	
Number of reimbursable days <sup>3</sup>	× 1.97865	× 3	× 3	
Total care and maintenance costs for dogs and cats	117,701	39,779	8,511	
Care and maintenance of other ‘eligible’ animals:				
Total care and maintenance costs	—	763,207	163,299	
Percentage of other “eligible” animals to total animals	—	× 6.006%	× 6.006%	
Total care and maintenance costs for other “eligible” animals	—	45,838	9,806	
Total other “eligible” animal kennel days	—	÷ 4,256	÷ 4,256	
Cost per other “eligible” animal per day	—	\$10.770	\$2.304	
Number of other “eligible” animals	—	× 61	× 61	
Number of reimbursable days	—	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	—	3,942	843	
Total care and maintenance costs	\$ 117,701	\$ 43,721	\$ 9,354	\$ (64,626)

**Schedule 2 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit		Audit Adjustments
		Salaries and Benefits	Materials and Supplies	
<u>July 1, 2005, through June 30, 2006</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 1,285,168	\$ 964,824	\$ 89,983	
Percentage of dogs and cats to total animals	× 100%	× 90.926%	× 90.926%	
Total care and maintenance costs for dogs and cats	1,285,168	877,276	81,818	
Total dog and cat kennel days	÷ 139,343	÷ 130,908	÷ 130,908	
Cost per dog and cat per day	\$9.223	\$6.701	\$0.625	
Number of eligible dogs and cats <sup>2</sup>	× 3,067	× 2,030	× 2,030	
Number of reimbursable days <sup>3</sup>	× 1.95959	× 3	× 3	
Total care and maintenance costs for dogs and cats	55,431	40,812	3,806	
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	—	964,824	89,983	
Percentage of other “eligible” animals to total animals	—	× 6.113%	× 6.113%	
Total care and maintenance costs for other “eligible” animals	—	58,980	5,501	
Total other “eligible” animal kennel days	—	÷ 6,083	÷ 6,083	
Cost per other “eligible” animal per day	—	\$9.696	\$0.904	
Number of other “eligible” animals	—	× 79	× 79	
Number of reimbursable days	—	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	—	4,596	429	
Total care and maintenance costs	\$ 55,431	\$ 45,408	\$ 4,235	\$ (5,788)
<u>July 1, 2006, through June 30, 2007</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ 1,575,011	\$ 1,035,585	\$ 109,594	
Percentage of dogs and cats to total animals	× 100%	× 90.665%	× 90.665%	
Total care and maintenance costs for dogs and cats	1,575,011	938,913	99,363	
Total dog and cat kennel days	÷ 152,506	÷ 138,505	÷ 138,505	
Cost per dog and cat per day	\$10.328	\$6.779	\$0.717	
Number of eligible dogs and cats <sup>2</sup>	× 3,124	× 2,123	× 2,123	
Number of reimbursable days <sup>3</sup>	× 1.95318	× 3	× 3	
Total care and maintenance costs for dogs and cats	63,019	43,175	4,569	
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	—	1,035,585	109,594	
Percentage of other “eligible” animals to total animals	—	× 7.03%	× 7.03%	
Total care and maintenance costs for other “eligible” animals	—	72,802	7,704	
Total other “eligible” animal kennel days	—	÷ 11,504	÷ 11,504	
Cost per other “eligible” animal per day	—	\$ 6.328	\$ 0.670	
Number of other “eligible” animals	—	× 53	× 53	
Number of reimbursable days	—	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	—	2,012	213	
Total care and maintenance costs	\$ 63,019	\$ 45,187	\$ 4,782	\$ (13,050)

## Schedule 2 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit		Audit Adjustments
		Salaries and Benefits	Materials and Supplies	
<u>July 1, 2007, through June 30, 2008</u>				
Care and maintenance of dogs and cats:				
Total care and maintenance costs	\$ —	\$ 1,037,729	\$ 120,289	
Percentage of dogs and cats to total animals	—	× 89.315%	× 89.315%	
Total care and maintenance costs for dogs and cats	—	926,848	107,436	
Total dog and cat kennel days	—	÷ 145,429	÷ 145,429	
Cost per dog and cat per day	—	\$6.373	\$0.739	
Number of eligible dogs and cats	—	× 2,329	× 2,329	
Number of reimbursable days	—	× 3	× 3	
Total care and maintenance costs for dogs and cats	—	44,530	5,162	
Care and maintenance of other “eligible” animals:				
Total care and maintenance costs	—	1,037,729	120,289	
Percentage of other “eligible” animals to total animals	—	× 8.399%	× 8.399%	
Total care and maintenance costs for other “eligible” animals	—	87,159	10,103	
Total other “eligible” animal kennel days	—	÷ 15,428	÷ 15,428	
Cost per other “eligible” animal per day	—	\$5.649	\$0.655	
Number of other “eligible” animals	—	× 105	× 105	
Number of reimbursable days	—	× 6	× 6	
Total care and maintenance costs for other “eligible” animals	—	3,559	413	
Total care and maintenance costs	\$ —	\$ 48,089	\$ 5,575	\$ 53,664
<u>Summary: July 1, 1998, through June 30, 2003 and July 1, 2004, through June 30, 2008</u>				
Care and maintenance of dogs and cats	\$ 652,079	\$ 240,871	\$ 38,831	\$ (372,377)
Care and maintenance of other “eligible” animals	—	27,450	4,947	32,397
Total care and maintenance costs	\$ 652,079	\$ 268,321	\$ 43,778	\$ (339,980)

<sup>1</sup> See Finding 3—Unallowable care and maintenance costs.

<sup>2</sup> The county combined eligible dogs and cats with eligible “other” animals when calculating actual costs claimed.

<sup>3</sup> The county used a weighted average to determine the number of reimbursable days in its actual costs claimed calculation.



# Findings and Recommendations

## **FINDING 1— Underclaimed computer software costs**

The county claimed \$70,783 for computer software costs during the audit period. We determined that \$146,768 is allowable. Costs were understated by the net amount of \$75,985 (overstated by \$14,157 and understated by \$90,142) because the county did not properly pro-rate the costs incurred during fiscal year (FY) 1998-99 through FY 2002-03 and did not claim reimbursement for costs incurred during FY 2004-05 through FY 2007-08.

The county claimed reimbursement for 100% of the Chameleon software costs for FY 1998-99 through FY 2002-03. During audit fieldwork, the county provided supporting documentation for the unclaimed software costs for FY 2004-05 through FY 2007-08.

Chameleon is a software management system that helps counties manage and track all animal-related data at an animal care facility. Chameleon is used for both mandated and non-mandated activities (such as recording adoptions, medical records, animal licenses, and tracking both donor and financial information).

County representatives determined that approximately 80% of the software system is mandate related; therefore, \$146,768 is reimbursable.

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

Fiscal Year	Amount Claimed	Total Cost Incurred	Mandate Percentage	Amount Allowable	Audit Adjustment
Materials and supplies:					
1998-99	\$ 19,483	\$ 19,483	80%	\$ 15,586	\$ (3,897)
1999-2000	10,560	10,560	80%	8,448	(2,112)
2000-01	12,330	12,330	80%	9,864	(2,466)
2001-02	13,290	13,290	80%	10,632	(2,658)
2002-03	15,120	15,120	80%	12,096	(3,024)
2004-05	—	27,600	80%	22,080	22,080
2005-06	—	27,600	80%	22,080	22,080
2006-07	—	27,600	80%	22,080	22,080
2007-08	—	29,877	80%	23,902	23,902
Total	\$ 70,783	\$ 183,460		\$ 146,768	\$ 75,985

The parameters and guidelines allow reimbursement for developing or procuring computer software for the maintenance of specified animal records. In addition, the parameters and guidelines state that if the computer software is used in a way that is not directly related to the maintenance of animal records, then only the pro-rata portion of the activity that is used for compliance with the mandated program is reimbursable.

### Recommendation

We recommend that the county establish and implement procedures to ensure that the county claims reimbursement for all mandated costs and properly applies the pro-rata percentage to activities that are not 100% mandated.

### County's Response

The County concurs with both the SCO's finding and its recommendation.

At this time, the County's ability to claim reimbursements in connection with the Animal Adoption program has been suspended by the State, and it is not known if and when the County will ever again be given the ability to claim reimbursement for this State mandated program.

If and when State reimbursement for the State mandated Animal Adoption Program is provided, the County shall develop and implement internal policies and procedures to ensure that the County has the ability to submit reimbursement claims for all mandated costs and properly apply the pro-rata percentage to activities that are not 100% mandated in accordance with the new parameters and guidelines.

### SCO's Comment

The county concurs with the finding and recommendation.

**FINDING 2—  
Unallowable  
construction of new  
facility costs**

The county claimed \$1,639,734 for construction of new facilities during the audit period. We determined that \$688,340 is allowable and \$951,394 is unallowable. The unallowable costs occurred because the county claimed reimbursement using the wrong pro-rata calculation (\$791,364) and claimed unsupported costs (\$160,030).

Allowable costs for this cost component are based on a formula that includes all costs incurred by the county applicable to animal shelter construction multiplied by a ratio of animals euthanized after the required holding period to the number of animals housed at the shelter during the required holding period. We made adjustments to costs incurred and the animal population information.

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
1998-99	\$ 26,557	\$ —	\$ (26,557)
1999-2000	28,113	—	(28,113)
2000-01	30,808	—	(30,808)
2001-02	30,133	—	(30,133)
2002-03	33,512	8,810	(24,702)
2004-05	19,717	—	(19,717)
Total salaries and benefits	168,840	8,810	(160,030)
Materials and supplies			
1998-99	37,728	3,114	(34,614)
1999-2000	36,991	15,471	(21,520)
2000-01	86,624	26,190	(60,434)
2001-02	263,573	104,122	(159,451)
2002-03	172,491	84,809	(87,682)
2004-05	873,487	445,223	(428,264)
Total materials and supplies	1,470,894	678,929	(791,965)
Contract services			
2004-05	—	601	601
Total	\$ 1,639,734	\$ 688,340	\$ (951,394)

*Background—Construction of New Animal Shelters*

The county operates two animal shelters, one in Martinez and one in Pinole. Prior to the new construction, the two existing animal shelters were approximately 50 years old. The old Martinez shelter had only 64 dog kennels and 184 cat cages and the old Pinole shelter had only 64 dog kennels and 58 cat cages. During FY 1999-2000, the Board of Supervisors approved a resolution to build two new shelters because additional space within the same vicinity was not available to accommodate the increased holding period requirement. In May of 2005, a two-acre, 38,000 square foot shelter in Martinez was opened. In early 2006, the smaller Pinole shelter was opened.

### *Construction Costs Incurred*

Costs incurred for construction were adjusted for the following reasons:

- The county claimed \$160,030 for salaries and benefits that were not supported.
- The county did not use the correct pro-rata representation of impounded stray or abandoned dogs, cats, and other animals held during the increased holding period that died or were ultimately euthanized to the total population of animals housed in the facility during the entire required holding period.

### **Unsupported Salaries and Benefits**

The county claimed \$168,840 in salary and benefit costs for FY 1998-99 through FY 2004-05. We determined that \$8,810 is allowable and \$160,030 is unallowable because the costs were unsupported. The county claimed 416 hours during each fiscal year from FY 1998-99 through FY 2002-03 for the Executive Director to coordinate construction of the new facilities. For FY 2004-05, the county claimed 81 hours for a private contractor and 126 hours for the Administrative Services Director to coordinate construction of the new facilities.

The county provided one invoice to support costs claimed. A contractor billed the county \$3,985 for time spent at animal shelter project meetings from August 2004 to January 2005. Per the parameters and guidelines, reimbursement is limited to the proportionate share of actual costs, which is based on the number of animals that die during the increased holding period or are ultimately euthanized to the total population of the animals. We determined that the proportionate share of eligible animals for FY 2004-05 is 15.09% (noted below). Therefore, \$601 ( $\$3,985 \times 15.09\%$ ) is allowable as contract services costs. In August 2010, the county submitted support for \$8,810 of salary and benefit costs based on FY 2002-03 construction meeting agendas. If the county is able to provide additional support for salary and benefit costs related to the construction of new facilities, we will adjust the audit finding as appropriate.

### **Overstated materials and supplies**

The county claimed \$1,470,894 in material and supply costs for FY 1998-99 through FY 2004-05. We determined that \$678,929 is allowable and \$791,965 is unallowable. Costs were overstated because the county claimed reimbursement using an incorrect proportionate share of eligible animals.

The county incurred total expenditures of \$4,724,196 to construct the two animal shelters. The county pro-rated the expenses and claimed reimbursement of \$1,470,894; however, we disagree with the calculations of percentages that the county used to compute reimbursable costs.

*Pro Rata Representation of Animals*

The parameters and guidelines adopted on February 28, 2002, state that reimbursement is based on the number of animals that “die during the increased holding period or are ultimately euthanized (numerator) to the total population of animals housed at the facility (denominator).” The audit adjustment occurred because the county included ineligible animals in the numerator of the calculation, as noted in the paragraphs below.

- Died during the increased holding period: The county claimed reimbursement based on *all* stray dogs, cats, and other animals that died of natural causes in its animal shelter. We corrected the number to include only stray dogs and cats that died on days 4, 5, and 6 (the extended holding period for dogs and cats). Prior to the mandate, the required holding period for dogs and cats was 72 hours (or days 1–3). In addition, we corrected the number used for “other animals” to include only strays that died on days 1 through 6. Prior to the mandate, there was no required holding period for “other animals.”
- Ultimately euthanized: The county claimed reimbursement for *all* strays that were euthanized and even some that were euthanized in the following fiscal year. We corrected the number to include only stray animals that were euthanized *after* the required holding period (days 7+). The phrase “ultimately euthanized” in the parameters and guidelines refers to those animals that were euthanized after the required holding period.

Based on the changes that we made to the pro-rata percentages of animals, the following table summarizes the claimed and allowable materials and supplies costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Eligible No. of Animals</u>	<u>Total No. of Animals</u>	<u>Ratio</u>	<u>Total Construction Costs</u>	<u>Reimbursable Amount</u>
Claimed:					
1998-99	—	—	100.00%	\$ 37,728	\$ 37,728
1999-2000	6,094	19,063	32.00%	115,597	36,991
2000-01	5,690	17,778	32.00%	270,701	86,624
2001-02	6,027	17,199	35.00%	753,066	263,573
2002-03	4,564	15,783	28.92%	596,500	172,491
2004-05	4,347	14,684	29.60%	2,950,604	873,487
Total claimed costs				<u>\$ 4,724,196</u>	<u>\$ 1,470,894</u>
Allowable:					
1998-99	712	8,627	8.25%	37,728	3,114
1999-2000	2,642	19,741	13.38%	115,597	15,471
2000-01	1,720	17,778	9.67%	270,701	26,190
2001-02	2,378	17,199	13.83%	753,066	104,122
2002-03	2,244	15,783	14.22%	596,500	84,809
2004-05	2,216	14,686	15.09%	2,950,604	445,223
Total allowable costs				<u>\$ 4,724,196</u>	<u>678,929</u>
Audit adjustment					<u>\$ (791,965)</u>

The parameters and guidelines (section IV.B.1–Acquisition of Additional Space and/or Construction of New Facilities) identify the following reimbursable activities:

Beginning January 1, 1999-Acquiring additional space by purchase or lease and/or construction of new facilities to provide appropriate or adequate shelter necessary to comply with the mandated activities during the increased holding period for impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that die during the increased holding period or are ultimately euthanized.

Eligible claimants are only entitled to reimbursement for the proportionate share of actual costs required to plan, design, acquire, and/or build facilities in a given fiscal year based on the pro rata representation of impounded stray or abandoned dogs, cats, and other animals specified in Statutes of 1998, Chapter 752 that are held during the *increased* holding period specified in Sections IV (B) (3) and (4) of these Parameters and Guidelines and die during the increased holding period or are ultimately euthanized, to the total population of animals housed in the facility (including those animals that are excluded from reimbursement, as specified in Sections IV (B) (3) and (4) of these Parameters and Guidelines) during the entire holding period required by Food and Agriculture Code sections 31108, 31752 and 31753.

### Recommendation

We recommend that the county ensure that claimed costs are properly calculated and supported by source documentation.

### County's Response

The County concurs with the SCO's finding regarding unsupported costs in the amount of \$160,030 and concurs with the SCO's recommendation that future claimed costs are properly calculated and supported by source documentation.

Presently, the State funded Animal Adoption Program has been suspended, and it is not known if and when the Program will be reinstated.

If and when the Animal Adoption Program is reinstated the County shall develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure that future claimed costs are properly calculated and supported by source documentation.

The County does not concur with SCO's decision regarding unallowed costs of \$791,364 because \$427,332 of that figure is calculated based on findings related to the March 26, 2010 appellate court decision in *Purifoy et al v. Howell*.

Background. Between the issuance of the SCO's preliminary Animal Adoption Program audit results on March 24, 2010 and the SCO's revised Narrative of Audit Findings on August 13, 2010, the County noted a significant increase in unallowed costs.

Discussions with SCO audit staff revealed that the SCO decided to retroactively apply the March 26, 2010 *Purifoy* decision with respect to suing Saturdays as a business day to the County's reimbursement claims in connection with this audit, resulting in an estimated increase of \$501,120 of unallowed costs for the following three SCO audit findings:

<u><b>Audit Finding</b></u>	<u><b>Estimated Unallowed Costs Related to Purifoy</b></u>
Finding Number Two	\$ 427,332
Finding Number Three	\$ 33,935
Finding Number Eight	\$ 39,853
Totals	\$ 501,120

The County is taking this position for the following reasons:

**1. The State, through its actions, has in fact acquiesced to the County inclusion of Saturday as a business day in its reimbursement claims.**

A 1998 amendment to the Food and Agriculture Code (Section 31108) required all animal shelters to hold stray dogs in impoundment for six (6) business days, not including the first day of impoundment. If the shelter has made an impounded dog available for owner redemption on one weekday evening or one weekend day, the mandatory holding period is only four (4) business days, not including the first day of impoundment.

All shelters, including Contra Costa County, which implemented this amendment experienced a significant increase in operational expenditures, none of which at that time could be reimbursed by the State, even though it was a State action with respect to the extension of the holding period that resulted in the subsequent increase in impoundment time and expense.

The County of Los Angeles, City of Lindsay, County of Tulare, County of Fresno and Southeast Area Animal Control Authority all filed a test claim with the Commission on State Mandates based on Food and Agriculture Code, section's 31108, 31752, 31752.5, 31753, 32001 and 32003.

The Commission approved the test claim as it related to the increased costs resulting from holding dogs for four (4) business days after the day of impoundment as mandated by Section 31108 (Adoption of Parameters and Guidelines, adopted February 28, 1998, corrected March 20, 2002) Saturday was considered at that time to be a business day.

As a result of this adopted test claim, the County subsequently filed a total of six claims for reimbursement to the State, all of which have included Saturday as a business day, and all of which have been subsequently accepted by the State.

It is the County's position that the State of California acquiesced to the County's inclusion of Saturday as a business day in its reimbursement claims. Not one of the above referenced six reimbursement claims were ever challenged or rejected by the State for including Saturday as a business day.

Both the County and other animal shelters in California subject to the Food and Agriculture Code (Section 31108) viewed the State's acquiescence as an affirmative representation that Saturday is to be counted as a business day for purposes of Section 31108 claims.

**2. SCO lacks the authority to apply the *Purifoy* decision to past and future reimbursement claims.**

The *Purifoy* decision addresses the mandatory holding period only as it relates to the minimum period of time the County must hold a dog before adopting it out or being authorized to euthanize it. The *Purifoy* decision does not address how the term "business day" should be applied to reimbursement claims or the SCO's methodology.

Excluding Saturday as a business day is inconsistent with how the SCO has applied its claiming instructions, and is inconsistent with not only the intent of the State Mandate Commission's Parameters and Guidelines, but how the Parameters and Guidelines have been historically applied with respect to including and reimbursing Saturdays as a business day.

The SCO lacks the authority as well as legal directive to apply the *Purifoy* decision to past and future reimbursement claims as it has done in this finding with Contra Costa County.

The County is requesting that the SCO reverse its decision regarding this matter and allow the sum of \$427,322 for this finding related to the *Purifoy* decision.

SCO's Comment

The finding and recommendation remain unchanged.

The county concurs with the finding and recommendation related to \$160,030 of unsupported costs. However, the county objects to \$791,634 of the audit finding related to the pro rata representation of animals because the calculation takes into account that Saturdays are not considered as business days. This is consistent with the First Appellate District Court decision dated March 26, 2010, in the case of *Purifoy et al v. Howell*.

The county is basing its position on two points: (1) that the State has acquiesced to the inclusion of Saturday as a business day by accepting previously filed claims under the Animal Adoption Program, and (2) that SCO lacks legal authority to apply the Appellate Court decision to past and future mandated cost claims.

We will address the county's positions in the order that they were presented in its response.



- 1. The State, through its actions, has in fact acquiesced to the County inclusion of Saturday as a business day in its reimbursement claims.**

#### Saturday as a Business Day

The county correctly summarizes the initial history of the mandated program and the impact of the test claim legislation upon animal shelters within the state. However, the county's statement also includes the belief that the Commission on State Mandates (CSM) considered Saturday to be a business day within the public record for this mandated program.

We disagree. There is considerable amount of public record related to this mandated program, including, but not limited to, the initial Test Claim, Statement of Decision, adopted Parameters and Guidelines, CSM draft staff analysis, and comments made by various local agencies and other interested parties. We have reviewed this extensive public record and have been unable to find any definition of what specific days of the week were considered to be business days. There is extensive language regarding extension of the required holding period for impounded cats and dogs from 72 hours from the time of capture to four or six *business days* [emphasis added] from the day after impoundment. There is also extensive language regarding the creation of the required holding period for specified "other animals" to be four or six *business days* [emphasis added] from the day after impoundment. However, there is no language stating which days of the week were considered to be business days. Contra Costa County is arguing that Saturday should be considered as a business day. We have noted that some animal shelters in the state are open seven days per week. These shelters may want to argue that Sundays should also be considered as a business day for the purposes of this mandated program as it applies to their operations.

The only time that weekend days are addressed in the parameters and guidelines is under the Agencies Using the Holding Period of Four Business Days After the Day of Impoundment cost component. Under this cost component, local agencies are eligible for reimbursement by making animals available for owner redemption on one weekday evening until at least 7:00 p.m. or one weekend day. However, the parameters and guidelines do not specify which weekend day that animal shelters should be open nor express whether or not that day should be considered as a business day for the purposes of the mandated program.

Animal shelter management at Contra Costa County advised that, based on surveys they performed, most animal shelters in the state have operated in the belief that Saturdays were considered to be business days for the purpose of determining the required holding period for all animals.

We looked specifically at the language which the court used in its opinion, which stated, in part:

In short, if the Legislature, having provided an incentive for shelters to remain open on weekend days, had also intended to permit shelters to count Saturdays as “business days” (thus further shortening the total number of calendar days in the holding period), we would expect a clearer expression of such an intention in the statute. More broadly, a construction of “business days” that includes Saturdays would both (1) shorten the holding period, and (2) reduce the opportunities for redemption and adoption. It thus would fail to achieve the dual purposes reflected in the legislative findings.

Accordingly, in the absence of a clear expression of legislative intent to treat Saturdays as “business days,” and in light of our obligation to choose a construction that most closely comports with the Legislature’s intent and promotes, rather than defeats, the statute’s general purposes (see *Smith, supra*, 39 Cal.4th at p. 83; *California Highway Patrol, supra*, 135 Cal.App.4th at pp. 496-497), we conclude that “business days” in section 31108(a) means Monday through Friday, the meaning most commonly used in ordinary discourse.

SCO determined that the court’s decision provides a clarification of existing law. Accordingly, the clarification would be applicable to the date that the statute was enacted (1998). This also means that the law, as defined by the court in the *Purifoy et al v. Howell* case, would apply to all of the county’s Animal Adoption claims within the audit period.

#### Acquiescence by the State

The county states its belief that since the State has accepted six claims filed by the county under the Animal Adoption Program and has not rejected these claims because calculations were based on Saturday being a business day, the State is now precluded from taking an audit finding based on this issue.

We disagree. The acceptance by SCO of a mandated cost claim filed by a claimant does not preclude the State from taking an audit finding based on an actual audit of the claim. By using the county’s logic, SCO would be barred from auditing any mandated cost claims filed by local agencies or school districts by accepting claims properly filed using SCO’s claiming instructions. However, Government Code section 17558.5(a) states:

A reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced.

As noted in the body of the audit report, we conducted the audit to determine whether costs claimed represent increased costs resulting from the Animal Adoption Program. Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

**2. SCO lacks the authority to apply the *Purifoy* decision to past and future reimbursement claims.**

We concur with the county's statement that the *Purifoy* decision does not address how the term "business day" should be applied to mandate reimbursement claims filed by the State. In fact, there is no language in the court's opinion indicating that any consideration was given to the impact of this ruling upon mandated cost claims filed by local agencies under the Animal Adoption Program. However, it is our view that the court's decision provides clarification as to which days of the week should be considered as business days for determining the required holding period for dogs, cats, and other animals. This is important because the parameters and guidelines provide reimbursement under this cost component for animals that died of natural causes during the increased holding period or were ultimately euthanized (after the required holding period). Accordingly, we applied the court's definition that business days include only Monday through Friday.

The county also states its belief that excluding Saturday as a business day is inconsistent with SCO's claiming instructions and the parameters and guidelines adopted by CSM. We disagree. As noted in our previous comments related to Saturday as a business day, there is nothing available in the public record for this mandated program suggesting that Saturday has been historically applied as a business day by CSM or SCO for the purposes of determining reimbursable costs under this mandated program.

The county also argues that SCO lacks the authority and the legal directive to apply the *Purifoy* decision to past and future reimbursement claims filed under the Animal Adoption Program. We agree that there is no language in the Appellate Court decision directing SCO to apply the effects of its decision to mandated cost claims. We do not believe that such direction would be required.

We also disagree that SCO lacks the authority to apply the court's decision to mandated cost claims. SCO audits of mandated cost claims are based upon the provisions contained within all applicable California statutes and regulations as valid audit criteria. In some cases, such as this one, some or all of the applicable audit criteria have been adjudicated by the courts. We are bound, therefore, to follow the decision of the courts as definitions of existing statutes and/or regulations and apply these definitions to the audit criteria as applicable. In this case, the Appellate Court opined that Saturday is not to be treated as a business day for the purposes of determining the required holding period. The results of our audit are, therefore, are based upon the court's decision.

**FINDING 3—  
Unallowable Care and  
Maintenance costs**

The county claimed \$652,079 for care and maintenance costs. We determined that \$312,099 is allowable and \$339,980 is unallowable. The unallowable costs occurred because the county estimated salaries and benefits, claimed reimbursement for unallowable materials and supplies, incorrectly calculated the yearly census of dogs and cats, and incorrectly calculated the number of stray dogs and cats that died during the increased holding period or were ultimately euthanized.

The following table summarizes the claimed, allowable, and unallowable salaries and benefits and materials and supplies costs for the audit period by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable			Audit Adjustment
		Dogs/Cats	Other Animals	Total	
Salaries and benefits:					
1998-99	\$ —	\$ —	\$ 1,223	\$ 1,233	\$ 1,233
1999-2000	—	19,450	5,408	24,858	24,858
2000-01	—	13,796	1,798	15,594	15,594
2001-02	—	24,248	1,774	26,022	26,022
2002-03	—	15,081	3,128	18,209	18,209
2004-05	—	39,779	3,942	43,721	43,721
2005-06	55,431	40,812	4,596	45,408	(10,023)
2006-07	63,019	43,175	2,012	45,187	(17,832)
2007-08	—	44,530	3,559	48,089	48,089
Subtotal	118,450	240,871	27,450	268,321	149,871
Materials and supplies:					
1998-99	—	—	—	—	—
1999-2000	91,672	5,499	1,529	7,028	(84,644)
2000-01	121,420	2,441	318	2,759	(118,661)
2001-02	107,279	4,705	344	5,049	(102,230)
2002-03	95,557	4,138	858	4,996	(90,561)
2004-05	117,701	8,511	843	9,354	(108,347)
2005-06	—	3,806	429	4,235	4,235
2006-07	—	4,569	213	4,782	4,782
2007-08	—	5,162	413	5,575	5,575
Subtotal	533,629	38,831	4,947	43,778	(489,851)
Total	\$ 652,079	\$ 279,702	\$ 32,397	\$ 312,099	\$ (339,980)

The county combined the impound figures of dogs and cats with other animals. It also combined salary and benefit costs with material and supply costs and claimed reimbursement for them in its claims as one amount under the Care and Maintenance of Dogs and Cats cost component. When calculating the allowable costs, we separated the salaries and benefits from materials and supplies and reimbursement for dogs and cats from reimbursement for other animals.

The care and maintenance formula calculation of the claimed, allowable, and audit adjustments by fiscal year are presented in Schedule 2.

The parameters and guidelines (section IV.B.3—Care and Maintenance for Impounded Stray or Abandoned Dogs and Cats that Die During the Increased Holding Period or are Ultimately Euthanized) identify the following reimbursable activities:

Beginning July 1, 1999-Providing care and maintenance during the increased holding period for impounded stray or abandoned dogs and cats that die during the increased holding period or are ultimately euthanized. The increased holding period shall be measured by calculating the difference between the days from the day of capture and four or six business days from the day after impoundment.

The parameters and guidelines (section IV.B.4–Care and Maintenance for Impounded Stray or Abandoned Animals specified in Food and Agriculture Code Section 31753 that Die During the Increased Holding Period or Are Ultimately Euthanized) also state:

Beginning January 1, 1999-For providing care and maintenance for . . . stray or abandoned rabbits, guinea pigs, hamsters, pot-bellied pigs, birds, lizards, snakes, turtles, and tortoises legally allowed as personal property that die during the increased holding period or are ultimately euthanized.

Eligible claimants are *not* entitled to reimbursement for the care and maintenance of the following population of dogs and cats and other animals:

- Stray or abandoned dogs, cats, and other animals that are irremediably suffering from a serious illness or severe injury;
- Newborn stray or abandoned dogs, cats, and other animals that need maternal care and have been impounded without their mothers;
- Stray or abandoned dogs, cats, and other animals too severely injured to move or a veterinarian is not available and it would be more humane to dispose of the animal;
- Owner-relinquished dogs, cats, and other animals; and
- Stray or abandoned dogs, cats, and other animals that are ultimately redeemed, adopted, or released to a nonprofit animal rescue or adoption organization.

Eligible claimants may elect one of the following two methods (Actual Cost Method or Time Study Method) to claim costs for the care and maintenance of impounded stray or abandoned dogs, cats, and other animals that die during the increased holding period or are ultimately euthanized. The county elected to use the Actual Cost Method to claim these costs.

Under the Actual Cost Method, actual reimbursable care and maintenance costs per animal per day are computed for an annual claim period, as follows:

1. Determine the total annual cost of care and maintenance for all dogs, cats, and other animals impounded at a facility. Total cost of care and maintenance includes labor, materials, supplies, indirect costs, and contract services,
2. Determine the average daily census of all dogs, cats, and other animals. For purposes of claiming reimbursement under IV.B.3, average daily census is defined as the average number of all dogs and cats at a facility housed on any given day in 365-day period and

the average number of all other animals at a facility housed on any given day in a 365-day period.

3. Multiply the average daily census of dogs, cats and other animals by 365 = yearly census of dogs and cats and the yearly census of other animals.
4. Divide the total annual cost of care by the yearly census of dogs and cats = cost per dog and cat per day and yearly census of other animals = cost per other animal per day.
5. Multiply the cost per animal per day by the number of impounded stray or abandoned dogs, cats, and other animals that die during the increased holding period or are ultimately euthanized by each reimbursable day. The reimbursable day for cats and dogs is the difference between three days from the day of capture, and four or six business days from the day after impoundment.

#### *Care and Maintenance Formula*

As the county elected to use the Actual Cost Method to claim costs, the parameters and guidelines provide for a formula-driven methodology to determine allowable mandated costs for the care and maintenance of dogs, cats, and other animals. The use of this method requires claimants to calculate the total amount of eligible costs incurred to provide care and maintenance for the animals housed in its shelter. This total is divided by the annual census of animals housed in the shelter to determine a cost per animal per day. The next element of the formula is adding the number of stray and abandoned animals that died of natural causes during the holding period plus those animals that were euthanized after the required holding period. This total number of animals is then multiplied by the cost per animal per day. The resulting amount represents allowable costs for providing care and maintenance.

The mandate reimburses claimants for the costs associated with animals that were not relinquished, redeemed, adopted, or released to a nonprofit agency and animals for which the local agency was unable to assess fees to recover such costs. During the course of the audit, we made adjustments to salaries and benefits, materials and supplies, and related indirect cost amounts incurred by the county. As a result, the costs per animal per day were also adjusted. We also made adjustments to the animal data that was used to claim costs. Adjustments to salary and benefit and material and supply costs are noted below.

The county claimed reimbursement using the Actual Cost Method, which consists of the following four calculations:

1. Total annual care and maintenance costs incurred;
2. Yearly census of dogs and cats;
3. Reimbursable days; and
4. Stray dogs, cats, and other “eligible” animals that died during the increased holding period or were ultimately euthanized.

## Audit Adjustments

1. A large portion of the audit adjustment was necessary because the county claimed reimbursement for salary and benefit costs as material and supply costs. We also determined that the county estimated salary and benefit costs incurred, understated allowable costs, misstated animal census data, claimed unsupported and ineligible costs, overstated time-study results, understated employee productive hourly rates and employee benefit rates, made transposition and calculation errors, and misstated indirect cost rates.

The following was noted during our review of the care and maintenance salary and benefit costs:

- Salaries and benefits were not based on actual payroll costs;
- 100% of the employees' time was claimed, even though they performed other services that are not mandated; and
- For FY 1999-2000, the county claimed reimbursement for lieutenants, although their job duties do not relate to caring for and maintaining animals.

During audit fieldwork, the shelter's Administrative Services Officer advised that tasks performed by the following four employee classifications are most directly related to the care and maintenance of animals:

- Technician
- Senior Technician
- Special Service Worker
- Utility Worker

We requested that the county provide actual salary and benefit amounts paid to these employee classifications for each fiscal year of the audit period. The Auditor-Controller's Office was able to provide actual salary and benefit amounts only for FY 2002-03 through FY 2007-08. Therefore, for FY 1998-99 through FY 2001-02, we used the January payroll amounts already provided for the testing of productive hourly rates.

In addition, we requested a duty statement for each of the four employee classifications to calculate how much of their daily workload was devoted to the care and maintenance of animals. The county provided the duty statements for Technician and Utility Worker. Based partly on this information and staff interviews, we determined that the time spent for care and maintenance of animals was 91.667% for Technicians and Senior Technicians, 91.38% for the Utility Workers, and 55% for the Special Service Workers.

We allocated supported salary and benefit costs proportionately based on the number of dogs and cats to total animals impounded at the shelter and the number of other eligible animals to total impounds. For example, for FY 2006-07, 90.66% of the impounded animals were dogs and cats and 7.03% of the impounded animals

were other “eligible” animals. Therefore, 90.66% of allowable salary and benefit costs will be included in the care and maintenance of dogs and cats calculation and 7.03% of the allowable salary and benefit costs will be included in the care and maintenance of “other” animals calculation.

2. The county claimed unallowable material and supply costs.

We noted the following during our review of the care and maintenance material and supply costs:

- The county claimed reimbursement for non-mandate related purchases;
- The county was not able to provide a description for the medical equipment purchased; and
- The county claimed reimbursement for care and maintenance material and supply costs in other reimbursable components.

The following table documents the specifics of the unallowable and under-claimed costs:

Vendor	Description	Audit Adjustment	Audit Adjustment Reasoning
Non-mandate-related:			
Shering Plough	Microchip Readers	\$ (55,956)	Not mandate related
Vortech	Euthanasia – Fatal Plus	(20,003)	Not mandate related
Subtotal		<u>(75,959)</u>	
Unsupported:			
Victor Medical	Medical equipment purchases	<u>(292,993)</u>	No description provided
Allowable:			
Bayer Corp.	Health and Nutrition Products	770	Not claimed
Shoreline	Electric lift examination tables	8,946	Not claimed
Various	Calculation errors	16,564	FYs 2005-06, 2006-07, and 2007-08
Subtotal		<u>26,280</u>	
Total adjustment		<u>\$ (342,672)</u>	

If the county can provide a description of the equipment purchased and demonstrate that the purchases totaling \$292,993 from Victor Medical Corporation were mandate-related, we will adjust the audit finding as appropriate. However, our review of the supporting documentation provided indicates that the purchases relate to the Necessary and Prompt Veterinary Care component. Reimbursement for these costs is limited to specific activities (e.g., wellness vaccine and initial physical exam) and for a limited population of animals (strays).

In addition, allowable material and supply costs must be allocated proportionately based on the number of dog and cats that died or were ultimately euthanized to total animals impounded at the shelter, which is the same methodology that was used for salaries and benefits.



3. The county incorrectly calculated the yearly census of dogs and cats.

The county claimed reimbursement using “Total Kennel Days.” Total Kennel Days is the sum of the days that all animals were impounded at the shelter. For example, 567 impounds at the shelter for 10 days would be 5,670 Total Kennel Days ( $567 \times 10$ ). Although the methodology is correct, the calculation is incorrect because it combines the yearly census of dogs and cats with that of other animals, which includes ineligible “other” animals (e.g. wildlife and livestock). The parameters and guidelines specifically state that “other animals” includes only animals specified in Agriculture Code section 31753, which is rabbits, guinea pigs, hamsters, potbellied pigs, birds, lizards, snakes, turtles, and tortoises that are legally allowed as personal property.

4. The county misstated the number of reimbursable days.

The county incorrectly calculated the number of reimbursable days. The county claimed reimbursement of one day for animals that died or were euthanized on day 4 and two days for animals that died or were euthanized on day 5+ (days 5, 6, 7, 8, etc). The county can claim reimbursement for 3 days for dogs and cats and 6 days for eligible “other” animals.

The parameters and guidelines identify the number of reimbursable days for dogs and cats to be the difference from three days from the capture and four days from the day after impoundment. In addition, for other animals, the parameters and guidelines identify the number of reimbursable days to be four days from the day after impoundment.

Determining the exact number of reimbursable days is often difficult. Depending on the impound day, each animal will have a different holding period requirement. For example, for a dog impounded at noon on Monday, the “old” law (prior to 1999) required the county to hold the dog until noon on Thursday (72 hours); the current law requires the county hold the dog until closing on Friday (which is 4 business days following impoundment). Under the current law the holding period was increased by 1 day and 5 hours (or 29 hours). However, for a dog impounded at noon on Friday, the old law required the county to hold the dog until noon on Monday (72 hours); and the current law requires the county to hold the dog until closing on Thursday (which is 4 business days following impoundment). Under the current law, the holding period was increased by 4 days and 5 hours (or 101 hours).

This calculation takes into consideration that the required holding period does not include either Saturday or Sunday as a business day, which is consistent with the Appellate Court decision dated March 26, 2010, in the case of *Purifoy et al v. Howell*. Therefore, because of the large discrepancy in the increased holding period

requirements, we analyzed every possible impound option (e.g., Monday impound, Tuesday impound, Wednesday impound, etc.) and determined the average increased holding period for dogs and cats to be 3 days and the average holding period for other “eligible” animals to be 6 days.

5. The county incorrectly calculated the number of stray dogs and cats that died during the increased holding period or are ultimately euthanized.

The county combined both dogs and cats and other “eligible” animals held for 4+ days (days 4, 5, 6, 7, etc.) into one claimed amount. Combining the animals is incorrect because dogs and cats have a different reimbursable holding period requirement than other animals.

Further review showed that the county incorrectly calculated the number of eligible animals as follows:

- The county claimed reimbursement for animals that died on days 4+ (days 4, 5, 6, 7, 8, etc.); however, reimbursement is available only for animals that died on days 4 through day 6.
- The county claimed reimbursement for animals euthanized on days 4+ (days 4, 5, 6, 7, 8, etc.); however, reimbursement is available only for animals that are ultimately euthanized after the holding period expired—which is day 7+.
- In addition, we noted instances in which the county claimed reimbursement for animals that were euthanized in the following fiscal year.

Therefore, because the increased holding period is an average of 3 days for dogs and cats, we determined that any dog or cat that dies during the increased holding period is a dog or cat that died on days 4, 5, or 6 and a dog or cat that is ultimately euthanized is a dog or cat that was euthanized on days 7 and beyond (e.g., days 7, 8, 9, 10, etc.). Also, as the holding period is an average of 6 days for other “eligible” animals, we determined that any eligible “other” animal that dies during the increased holding period is an animal that died on days 1 through 6 and an animal that is ultimately euthanized is an animal that was euthanized on days 7 and beyond (e.g., days 7, 8, 9, 10, etc.).

### Recommendation

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

### County's Response

The County concurs with the SCO's recommendation that future claimed costs include only eligible costs, are based on actual costs, and are properly supported.

The County does not concur with SCO's position regarding unallowed costs in the amount of \$339,980 because \$33,935 is attributable to findings related to the March 26, 2010 appellate court decision in *Purifoy et al v. Howell*. . . .

[The next section of the county's response is the same as its response to Finding 2.]

The County is requesting that the SCO reverse its decision regarding this matter and allow the sum of \$33,935 for this finding related to the *Purifoy* decision.

### SCO's Comment

The finding and recommendation remain unchanged.

The county concurs with the recommendation that future claimed costs include only eligible costs, are based on actual costs, and are properly supported. However, the county objects to \$33,935 of the audit finding for unallowable care and maintenance costs because the calculation of unallowable costs takes into account that Saturdays are not considered as business days. This is consistent with the First Appellate District Court decision dated March 26, 2010, in the case of *Purifoy et al v. Howell*.

The county is basing its position on two points: (1) that the State has acquiesced to the inclusion of Saturday as a business day by accepting previously filed claims under the Animal Adoption Program and (2) that SCO lacks legal authority to apply the Appellate Court decision to past and future mandated cost claims.

We noted that the county raised the same issues and used the same wording in its response to this finding as was used in its response to Finding 2—Unallowable construction of new facilities. Accordingly, our comments are the same as those cited in Finding 2.

**FINDING 4—  
Unallowable  
Increased Holding  
Period costs**

The county claimed \$3,071,445 for increased holding period costs. We determined that \$1,567,124 is allowable and \$1,504,321 is unallowable. The unallowable costs occurred because the county claimed reimbursement for unallowable costs (\$1,761,916), overstated costs because of a transposition error (\$9,000), understated employee productive hourly rates (\$182,508), and understated employee benefit rates (\$84,087).

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1998-99	\$ —	\$ —	\$ —
1999-2000	260,455	90,770	(169,685)
2000-01	267,134	116,873	(150,261)
2001-02	265,057	116,854	(148,203)
2002-03	348,256	173,388	(174,868)
2004-05	434,083	229,736	(204,347)
2005-06	509,491	275,227	(234,264)
2006-07	477,235	284,424	(192,811)
2007-08	509,734	279,852	(229,882)
Total	<u>\$ 3,071,445</u>	<u>\$ 1,567,124</u>	<u>\$ (1,504,321)</u>

**Unallowable Costs Claimed**

Both the Martinez and Pinole shelters are open on Wednesdays until 7:00 p.m. and for seven hours on Saturdays. The parameters and guidelines state that the shelter must “make the animal available for owner redemption on one weekday evening until at least 7:00 p.m., or, one weekend day.” Reimbursement is limited to *one* of the days—either the increased Wednesday hours or all of the Saturday hours. As the Saturday hours are longer than the increased Wednesday hours, reimbursement is allowable for the seven hours that the shelter is open on Saturdays.

For FY 1999-2000 through FY 2001-02, the county was unable to explain how the hours claimed for this component were calculated. For FY 2002-03 through FY 2007-08, the county claimed reimbursement for 832 hours spent by clerical staff and an office manager ( $2/5 \times 2,080$  annual productive hours), meaning the county claimed reimbursement for all hours that the shelters were open on Wednesdays and Saturdays ( $16 \text{ hours} \times 52 \text{ weeks}$ ). We adjusted the number of allowable hours to 364 ( $7 \text{ Saturday hours} \times 52 \text{ weeks}$ ). We calculated allowable costs using seven hours for each Saturday and determined that \$1,705,353 is unallowable for the excess number of employee hours claimed.

In addition, the county claimed reimbursement of \$56,563 for an Animal Service Officer for FY 1999-2000, FY 2000-01, and FY 2001-02. As this employee classification is not required to be at the animal shelter in the evening or on weekends to make animals available for owner redemption, reimbursement for an Animal Service Officer is unallowable under this cost component.

### Transposition Error

The county made a \$9,000 transposition error in its claim for FY 2005-06. The county calculated total salaries and benefits of \$500,491 for the Increased Holding Period component on claim Form AA-2. However, when this amount was transferred to claim Form AA-1, the county claimed reimbursement of \$509,491 instead.

### Understated Productive Hourly Rates

The county incorrectly calculated employee productive hourly rates for FY 1999-00 through FY 2007-08, which resulted in net under-claimed costs of \$182,508.

For FY 1999-2000 and FY 2000-01, the county was unable to determine what salary amounts were used to calculate productive hourly rates. For FY 2001-02 through FY 2007-08, the county used the total monthly pay reported for the month of January and multiplied it by 12 to calculate the annual pay. However, the January total pay includes: (1) regular pay, (2) overtime pay, (3) temporary pay, and (4) other pay. We do not believe that temporary pay, other pay, and overtime pay amounts incurred in January is a valid representative sample of employee salary amounts incurred in the other months.

In addition, for FY 2001-02 through FY 2007-08, the county used an annual productive hourly base of 2,080 hours to calculate productive hourly rates. The productive hourly base of 2,080 is the total workload for an entire fiscal year and does not account for any vacation time, sick time, or informal time off that the employee may have used. The SCO's Mandated Cost Manual for Local Agencies allows claimants the option of using an annual productive hourly base of 1,800, or fewer than 1,800 hours if properly documented.

Based on these two audit issues, the county recalculated the productive hourly rates using the total salaries paid to each employee (as determined by the county's payroll system) and an annual productive hourly base of 1,800 hours which, when applied to allowable hours, resulted in a positive audit adjustment of \$182,508 for the audit period for Increased Holding Period costs.

### *Summary of Productive Hourly Rate Adjustments by Reimbursable Components*

The productive hourly rate calculation noted previously also affected the following reimbursable components:

<u>Reimbursable Component</u>	<u>Audit Adjustment</u>
Increased holding period	\$ 182,508
Feral cats	12,762
Lost and found list	30,052
Non-medical records	119,823
Total audit adjustments	<u>\$ 345,145</u>

### Understated Benefit Rates

The county understated employee benefit rates for FY 2002-03, FY 2004-05, FY 2005-06, FY 2006-07, and FY 2007-08; the understatements resulted in \$84,087 of understated holding period costs. We traced the benefit rate calculations to the county's expenditure ledger and noted the following differences:

<u>Fiscal Year</u>	<u>Benefit Rate Claimed</u>	<u>Benefit Rate Allowable</u>	<u>Under- statement</u>
2002-03	46.30%	49.30%	3.00%
2004-05	54.30%	63.20%	8.90%
2005-06	60.00%	69.40%	9.40%
2006-07	60.00%	75.10%	15.10%
2007-08	60.50%	77.80%	17.30%

We applied the revised benefit rates to allowable salary costs for FY 2002-03 through FY 2007-08.

### *Summary of Benefit Rate Adjustments by Reimbursable Component*

The understated benefit rates also affected the following reimbursable components:

<u>Reimbursable Component</u>	<u>Audit Adjustment</u>
Increased holding period	\$ 84,087
Feral cats	3,951
Lost and found list	5,957
Non-medical records	32,292
Total audit adjustments	<u>\$ 126,287</u>

The parameters and guidelines (section IV.B.5—Using the Holding Period of Four Business Days After the Day of Impoundment) state that the following activities are reimbursable beginning January 1, 1999, for impounded animals specified in Food and Agriculture Code section 31753 ("other animals"), and beginning July 1, 1999, for impounded dogs and cats for either:

1. Making the animal available for owner redemption on one weekday evening until at least 7:00 p.m., or one weekend day; or
2. For those local agencies with fewer than three full time employees or that are not open during all regular weekday business hours, establishing a procedure to enable owner to reclaim their animals by appointment at a mutually agreeable time when the agency would otherwise be closed.

### Recommendation

We recommend that the county ensure that claimed costs include only eligible costs that are properly supported.

County's Response

The County understands the SCO's findings and concurs with its recommendation.

As indicated previously, the State funded Animal Adoption Program has been suspended, and it is not known if and when the Program will be reinstated.

If and when the Animal Adoption Program is reinstated the County shall develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure that future claimed costs include only eligible costs that are properly supported.

SCO's Comment

The county concurs with the finding and recommendation.

**FINDING 5—  
Unallowable Feral  
Cats costs**

The county claimed \$208,165 for the Feral Cats cost component during the audit period. We determined that \$98,553 is allowable and \$109,612 is unallowable. The unallowable costs occurred because the county overstated the results of its time study (\$126,325), understated employee productive hourly rates (\$12,762), and understated employee benefit rates (\$3,951).

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1998-99	\$ 17,371	\$ 5,258	\$ (12,113)
1999-2000	45,685	11,727	(33,958)
2000-01	20,552	11,709	(8,843)
2001-02	28,258	11,230	(17,028)
2002-03	34,132	12,514	(21,618)
2004-05	39,053	16,108	(22,945)
2005-06	7,560	9,473	1,913
2006-07	8,049	10,302	2,253
2007-08	7,505	10,232	2,727
Total	<u>\$ 208,165</u>	<u>\$ 98,553</u>	<u>\$ (109,612)</u>

**Time Study #1**

The county conducted two time studies to determine the amount of time shelter staff spent performing feral cat evaluations. The first time study was conducted over a two-week period from July 22, 2002, through August 4, 2002, and the results were used to claim costs for FY 1998-99 through FY 2004-05.

The first time study determined that an Animal Service Officer spent 8 minutes and the Technician and Senior Technician spent 2.37 minutes per feral cat test. The county calculated reimbursement by multiplying productive hourly rates for these employee classifications by twice the total number of cats impounded at the shelter. The number of cats tested was doubled because the shelter made an assumption that the Animal Service Officer performs the first feral cat test on every cat and the Technicians and Senior Technicians perform a second feral cat test on every cat.

As the county was able to provide only a summary of the results and not the actual calculations supporting the rates claimed, we re-calculated the results of the first time study. We tallied each individual Animal Service Officer's activity sheets and each individual Technician's activity sheets and determined that during the two-week time study period, Animal Service Officers spent 101 minutes performing feral cat evaluations and Technicians spent 792 minutes performing feral cat evaluations. The minutes total 386.97 hours per fiscal year.



The county's policy is to perform a feral cat evaluation on every cat that did not pass the first test at least a second and possibly a third time to ensure accuracy (the cats are often anxious in a new environment and the results of the first test may be negatively skewed). During the re-calculation of time study #1, we noted that the activity sheets included time spent performing feral cat evaluations on several cats multiple times. As a result, we did not calculate reimbursement based on a rate per cat because: (1) the rate would not truly reflect the rate per feral cat evaluation, as some cats were tested multiple times and the activity sheets did not back out the time spent performing multiple evaluations, and (2) we do not know how many cats were tested multiple times to accurately apply the time study results. Therefore, we determined that allowable hours totaled 386.97 hours per year for FY 1999-2000 through FY 2004-05, and 193.49 hours for FY 1998-99 (as reimbursement is allowable only for January 1, 1999, through June 30, 1999).

### **Time Study #2**

The county conducted the second time study over a four-week period from August 21, 2006, through September 17, 2006, and the results were used to claim costs for FY 2005-06 through FY 2007-08.

For the second time study, the county did not claim reimbursement using a rate per cat (as they did for the first time study) but claimed a flat rate of 229 hours for FY 2005-06, FY 2006-07, and FY 2007-08. As the hours claimed for each fiscal year is less than the hours allowable for time study #1 (386.97 hours), we did not perform any further testing and determined that the 229 hours claimed are allowable.

### **Productive Hourly Rates and Benefit Rates**

As identified in Finding 4, the county understated employee productive hourly rates and benefit rates. We applied the adjusted rates and determined that allowable costs for this cost component were understated by \$12,762 for productive hourly rates and \$3,951 for benefit rates.

The parameters and guidelines (section IV.B.6–Feral Cats) identify the following reimbursable activities:

Beginning January 1, 1999 – Verifying whether a cat is feral or tame by using a standardized protocol within the first three days of the required holding period, if an apparently feral cat has not been reclaimed by its owner or caretaker.

### **Recommendation**

We recommend that the county ensure that claimed costs are properly supported.

### **County's Response**

The County understands the SCO's findings and concurs with its recommendation.

As indicated previously, the State funded Animal Adoption Program has been suspended, and it is not known if and when the Program will be reinstated.

If and when the Animal Adoption Program is reinstated the County shall develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure that future claimed costs are properly supported.

SCO's Comment

The county concurs with the finding and recommendation.

**FINDING 6—  
Unallowable Lost and  
Found List costs**

The county claimed \$868,681 for the Lost and Found Lists cost component during the audit period. We determined that \$476,126 is allowable and \$392,555 is unallowable. The unallowable costs occurred because the county overstated the results of its time study (\$333,301), claimed reimbursement of unallowable activities (\$96,214), claimed unsupported costs (\$4,789), understated employee productive hourly rates (\$30,052), understated employee benefit rates (\$5,957), underclaimed allowable costs (\$4,740), and understated costs because of a transposition error (\$1,000).

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1998-99	\$ 49,969	\$ 24,438	\$ (25,531)
1999-2000	109,367	51,395	(57,972)
2000-01	107,929	54,701	(53,228)
2001-02	103,811	55,201	(48,610)
2002-03	110,565	59,475	(51,090)
2004-05	127,316	71,415	(55,901)
2005-06	5,205	3,396	(1,809)
2006-07	5,317	3,709	(1,608)
2007-08	5,232	3,689	(1,543)
Total, salaries and benefits	<u>624,711</u>	<u>327,419</u>	<u>(297,292)</u>
Contract services:			
2000-01	18,880	18,880	—
2001-02	42,844	42,844	—
2002-03	40,594	40,594	—
2004-05	39,220	27,718	(11,502)
2005-06	28,126	—	(28,126)
2006-07	33,035	5,157	(27,878)
2007-08	41,271	13,514	(27,757)
Total, contract services	<u>243,970</u>	<u>148,707</u>	<u>(95,263)</u>
Total	<u>\$ 868,681</u>	<u>\$ 476,126</u>	<u>\$ (392,555)</u>

**Overstated Salaries and Benefits**

The county claimed \$624,711 for salaries and benefits during the audit period. We determined that \$327,419 is allowable and \$297,292 is unallowable. The unallowable costs occurred because the county overstated the results of its time study (\$333,301), understated employee productive hourly rates (\$30,052), and understated employee benefit rates (\$5,957).

*Time Study #1*

The county conducted two time studies to determine the amount of time shelter staff spent performing lost and found activities. For both time studies, the county focused on two types of activities: (1) those performed when owners are not aware their animals are at the shelter, and (2) those performed when owners are aware their animals are at the shelter. The first time study was conducted over a two-week period from July 22, 2002, through August 4, 2002 and the results were used to claim costs for FY 1998-99 through FY 2004-05.

For FY 1998-99 through FY 2004-05, the county claimed reimbursement of 3,752.47 hours for each year (with the exception of FY 1998-99, when only half of these hours were claimed). The county claimed reimbursement of 72 ~ 73 hours for every week; however, we questioned this number because the time study took place over a two-week period.

As the county was able to provide only a summary of the results and not the actual calculations used to determine the rates claimed, we re-calculated the results of the first time study. We tallied the time reported for the individual employees (Officer, Sergeant, Clerk, Senior Clerk, Lead Clerk, Technician, Senior Technician, and Office Manager), as reported on the activity sheets. We determined that during the two-week time study period, the shelter staff spent 65.983 total hours on lost and found activities; these hours total 1,715.58 hours per year (65.983 hours  $\times$  26 weeks). Therefore, allowable hours totaled 1,715.58 hours per year for FY 1999-00 through FY 2004-05 and 857.79 hours for FY 1998-99.

#### *Time Study #2*

The county conducted the second time study over a four-week period from August 21, 2006, through September 17, 2006, and the results were used to claim costs for FY 2005-06 through FY 2007-08.

For FY 2005-06 through FY 2007-08, the county claimed reimbursement of 157.30 hours per year. We recalculated the results of time study #2 and tallied the time reported for the individual employees (Sergeants, Officers, Senior Clerk, and Technicians), as reported on the summary sheets. We determined that during the four-week time study period, the shelter staff spent 357 total minutes on lost and found activities; these numbers total 77.35 hours per year. Therefore, allowable hours total 77.35 hours per year for FY 2005-06 through FY 2007-08.

#### *Employee Productive Hourly Rates and Benefit Rates*

As described in Finding 4 (see page 25), the county understated employee productive hourly rates and benefit rates. We applied adjusted rates to allowable salary costs and determined that allowable costs were understated by \$30,052 for productive hourly rates and \$5,957 for benefit rates.

#### **Contract Services**

Costs claimed by the county under the Lost and Found Lists component during the audit period included \$243,970 for contract services. We determined that \$148,707 is allowable and \$95,263 is unallowable. The unallowable costs occurred because the county claimed reimbursement for unallowable activities (\$96,214), claimed unsupported costs (\$4,789), under-claimed allowable costs (\$4,740), and overstated costs because of a transposition error (\$1,000).

*Unallowable Activities*

The county claimed reimbursement of \$96,214 for contract services provided by animal behaviorists, as noted in the table below. Services provided by animal behaviorists are not reimbursable under this mandated program and the costs claimed are unallowable.

Vendor	Fiscal Year				Total
	2004-05	2005-06	2006-07	2007-08	
Jennifer Ambacher	\$ (11,502)	\$ (28,126)	\$ (33,618)	\$ (6,042)	\$ (79,288)
Dana Runkle	—	—	—	(12,040)	(12,040)
Shayna Stanis	—	—	—	(4,886)	(4,886)
Total	<u>\$ (11,502)</u>	<u>\$ (28,126)</u>	<u>\$ (33,618)</u>	<u>\$ (22,968)</u>	<u>\$ (96,214)</u>

*Unsupported Costs*

The county claimed reimbursement of \$18,303 in its FY 2007-08 claim for photography services related to the county's animal lost and found Web site. However, the county was able to support only \$13,514 and the remaining \$4,789 claimed was unsupported.

*Underclaimed Costs*

The county did not claim reimbursement of \$4,740 in its FY 2006-07 claim for eligible photography costs.

*Transposition Error*

The county calculated reimbursement of \$34,035 on Form AA-2 of its claim for FY 2006-07, but reported only \$33,035 on the summary sheet (Form AA-1), resulting in under-claimed costs of \$1,000.

The parameters and guidelines (section IV.B.7–Lost and Found Lists) identify the following reimbursable activities:

Beginning January 1, 1999 – Providing owners of lost animals and those who find lost animals with all of the following:

- Ability to list the animals they have lost or found on “lost and found” lists maintained by the local agency;
- Referrals to animals listed that may be the animals the owner or finders have lost or found;
- The telephone numbers and addresses of other pounds and shelters in the same vicinity;
- Advice as to means of publishing and disseminating information regarding lost animals; and
- The telephone numbers and addresses of volunteer groups that may be of assistance in locating lost animals.

Recommendation

We recommend that the county ensure that claimed costs include only eligible costs that are properly supported.

County's Response

The County understands the SCO's findings and concurs with its recommendation.

As indicated previously, the State funded Animal Adoption Program has been suspended, and it is not known if and when the Program will be reinstated.

If and when the Animal Adoption Program is reinstated the County shall develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure that future claimed costs are properly supported.

SCO's Comment

The county concurs with the finding and recommendation.

**FINDING 7—  
Unallowable  
Maintaining Non-  
Medical Records costs**

The county claimed \$1,969,468 for the cost component of Maintaining Non-Medical Records during the audit period. We determined that \$983,741 is allowable and \$985,727 is unallowable. The unallowable costs occurred because the county overstated the results of its time study (\$1,137,842), understated employee productive hourly rates (\$119,823), and understated employee benefit rates (\$32,292).

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1998-99	\$ 141,560	\$ 57,655	\$ (83,905)
1999-2000	330,440	137,745	(192,695)
2000-01	312,689	128,124	(184,565)
2001-02	292,274	121,636	(170,638)
2002-03	326,246	123,066	(203,180)
2004-05	375,111	140,939	(234,172)
2005-06	62,886	84,109	21,223
2006-07	65,856	96,415	30,559
2007-08	62,406	94,052	31,646
Total	<u>\$ 1,969,468</u>	<u>\$ 983,741</u>	<u>\$ (985,727)</u>

**Time Study #1**

The county conducted two time studies to determine the amount of time shelter staff spent performing non-medical record activities. For both time studies, the county focused on two activities, (1) stray animal intake and (2) surrendered animal intake. The county did not time-study (1) the circumstances under which the animal is taken up or euthanized, (2) the names of the personnel who took up or euthanized the animal, and (3) the final disposition of the animal. The first time study was conducted over a two-week period from July 22, 2002, through August 4, 2002, and the results were used to claim costs for FY 1998-99 through FY 2004-05.

For FY 1998-99 through FY 2004-05, the county claimed reimbursement of 9,634.73 hours for each year (with the exception of FY 1998-99, when only half of these hours were claimed). The county claimed reimbursement for 11,117 minutes spent every week.

We questioned the amount of time claimed because:

- The time study took place over a two-week period (not every week); and
- The county should not be claiming the same number of hours for each fiscal year because the number of intake records varies based on the number of animals impounded at the shelter.

As the county was able to provide only a summary of the results and not the actual calculations used to compute the costs claimed, we re-calculated the results of the first time study. We tallied time spent by the individual employees (Officer, Sergeant, Clerk, Senior Clerk, Lead Clerk, Technician, and Senior Technician) as reported on the activity

sheets and determined that during the two-week time study period, the shelter staff collectively spent 10,411 minutes recording the impound of 861 animals.

We determined that the best application of the time study results to each fiscal year would be to calculate a reimbursable rate per employee classification and apply this rate by the percentage of animals time-studied by the total animals impounded at the shelter. For example, the time study revealed that officers spent 0.3359 hours recording the impoundment of each animal and they processed non-medical records for 36.469% of the animals impounded during the time study. As 19,394 animals (including livestock and wildlife) were impounded in FY 1999-2000, it is reasonable to believe that Officers spent 2,375.75 hours in FY 1999-2000 recording animal impounds ( $[19,394 \times 36.469\%] \times 0.3359$ ). Alternatively, in FY 2000-01, as there were 17,444 animal impounds, the Officers spent 2,136.88 hours recording stray and surrendered animal impounds ( $[17,444 \times 36.469\%] \times 0.3359$ ). We provided spreadsheets to the county detailing these calculations.

## **Time Study #2**

The county conducted its second time study over a four-week period from August 21, 2006, through September 17, 2006, and the results were used to claim costs for FY 2005-06 through FY 2007-08. The county claimed reimbursement for 1,753 hours for each year. Similar to the first time study, we questioned the hours claimed as the hours spent performing non-medical record activities should vary based on the number of animals impounded at the shelter.

In addition, we noted the following problems related to the county's calculation of 1,753 hours:

- Both the percentage allocation and the number of minutes calculations used only the results of the stray animal intake and did not include the surrendered animal intake,
- The hours are based on the FY 2005-06 intake of 16,652 animals and do not take into account FY 2006-07 or FY 2007-08 animal impounds, and
- The FY 2005-06 intake of 16,652 animals included ineligible animals such as livestock and wildlife.

We recalculated the results of the first time study by tallying the individual employees' time, as reported on the summary sheets. We determined that during the four-week time study period, the shelter collectively spent 10,307 minutes recording the impound of 1,520 animals. We applied the results of the second time study exactly like the first time study, by calculating a reimbursable rate per employee classification and applying this rate to the percentage of animals that were time-studied by the total animals impounded at the shelter.



### **Productive Hourly Rates and Benefit Rates**

As described in Finding 4, the county understated employee productive hourly rates and employee benefit rates. We applied the adjusted rates to all allowable salary costs and determined that allowable costs were understated by \$119,823 for productive hourly rates and \$32,292 for employee benefit rates.

The parameters and guidelines (section IV.B.8–Maintaining Non-Medical Records) identify the following reimbursable activities:

Beginning January 1, 1999 – Maintaining non-medical records on animals that are either taken up, euthanized after the holding period, or impounded. Such records must include the following:

- The date the animal was taken up, euthanized, or impounded;
- The circumstances under which the animal is taken up, euthanized, or impounded;
- The names of the personnel who took up, euthanized, or impounded the animal; and
- The final disposition of the animal, including the name of the person who euthanized the animal or the name and address of the adopting party.

### **Recommendation**

We recommend that the county ensure that claimed costs include only eligible costs that are properly supported.

### **County's Response**

The County understands the SCO's findings and concurs with its recommendation.

As stated previously, the State funded Animal Adoption Program has been suspended, and it is not known if and when the Program will be reinstated.

If and when the Animal Adoption Program is reinstated the County shall develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure that future claimed costs are properly supported.

### **SCO's Comment**

The county concurs with the finding and recommendation.

**FINDING 8—  
Unallowable necessary  
and prompt veterinary  
care costs**

The county claimed \$659,466 for the Necessary and Prompt Veterinary Care cost component during the audit period. We initially determined that all of the costs were unallowable because they were not adequately supported. However, during audit fieldwork, we noted that the county performed two time studies, but the results of the time studies were not used to claim reimbursement. Based on the results of the time studies, we determined that \$45,186 in salaries and benefits is allowable.

Subsequent to the issuance of the draft report, the county provided invoices for our review representing allowable costs incurred for the purchase of wellness vaccines administered to dogs and cats. As a result, we determined that these invoices supported allowable services and supplies totaling \$26,186 for the audit period.

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
1998-99	\$ —	\$ 937	\$ 937
1999-2000	—	3,790	3,790
2000-01	—	2,523	2,523
2001-02	26,743	3,350	(23,393)
2002-03	64,443	3,579	(60,864)
2004-05	133,032	4,493	(128,539)
2005-06	104,455	7,814	(96,641)
2006-07	107,695	8,618	(99,077)
2007-08	146,170	10,082	(136,088)
Total, salaries and benefits	582,538	45,186	(537,352)
Materials and supplies:			
1998-99	—	829	829
1999-2000	—	2,975	2,975
2000-01	—	2,173	2,173
2001-02	—	3,041	3,041
2002-03	—	2,993	2,993
2004-05	—	3,567	3,567
2005-06	—	3,140	3,140
2006-07	—	3,160	3,160
2007-08	—	4,308	4,308
Total, materials and supplies	—	26,186	26,186
Contract services:			
1999-2000	11,226	—	(11,226)
2000-01	44,325	—	(44,325)
2001-02	21,377	—	(21,377)
Total, contract services	76,928	—	(76,928)
Total	\$ 659,466	\$ 71,372	\$ (588,094)

**Overstated Salaries and Benefits**

The county claimed reimbursement of \$582,538 for salaries and benefits during the audit period. We initially determined that all of the costs were unallowable because they were not adequately supported. We subsequently determined that \$45,186 is allowable, based on two time studies that were conducted.

For FY 2001-02 through FY 2007-08, the county claimed \$582,538. The county calculated reimbursement by multiplying the annual salaries for Veterinarians, Registered Veterinarian Technicians, and Veterinarian Assistants by the percentage of stray animals that were euthanized and died of natural causes at the shelter.

We disagree with the county's calculation of allowable costs for the following reasons:

- Reimbursement is limited to the four specific activities identified in the parameters and guidelines, as noted below. While we concur that shelter staff performed reimbursable activities, simply claiming a percentage of employee salaries is not an accurate methodology to claim reimbursement of mandated costs for this cost component. Such methodology assumes that *all* activities performed by medical staff personnel were reimbursable, which is not a valid assumption.
- The veterinarians performing medical services are private doctors under contract with the county and are not on the county's payroll. The veterinarians work at the shelter several days each week and bill the shelter for their time. Therefore, if their time were properly calculated, it should have been claimed as contract services, which would ensure that indirect costs were not improperly applied to contract services costs in the county's claims.

#### *Time Study #1*

During our review of time study #1 for the other reimbursable components (e.g. feral cats, lost and found), we noticed that the county also performed a two-week time-study called "Treatment" from July 22, 2002, to August 4, 2002, but did not claim reimbursement for it. The county defined "treatment" as any time that is "necessary and prompt" and gave the following two examples: 1) "clean gooey eyes" and 2) "vaccinations." We used the results of this time study to determine allowable costs for FY 1998-99 through FY 2004-05.

We tallied the individual employees' time, as reported on the activity sheets, and determined that during the two-week time study period, the shelter staff collectively spent 1,852 minutes performing 734 treatments. The best application of the time study results to each fiscal year would be to calculate a reimbursable rate per employee classification and apply this rate by the percentage of animals that were time-studied by the total animals impounded at the shelter. For example, the time study revealed that registered veterinarian technicians spent 0.0577 hours per treatment and they treated 21.253% of the animals impounded during the time study. As 2,753 animals were eligible during FY 1999-2000, it is reasonable to believe that registered veterinarian technicians spent 33.76 hours in FY 1999-00 performing treatment activities ( $[2,753 \times 21.253\%] \times 0.0577$ ). Alternatively, for FY 2000-01, there were 1,812 eligible animals and Registered Veterinarian Technicians spent 22.22 hours performing treatment activities ( $[1,812 \times 21.253\%] \times 0.0577$ ).

*Time Study #2*

The county performed a second treatment time study from August 21, 2006, to September 17, 2006, but did not use it to claim reimbursement. The only difference between time study #1 and time study #2 is that time study #2 took place over a four-week period. We used the results of this time study to determine allowable costs for FY 2005-06 through FY 2007-08.

We tallied the individual employees' time, as reported on the summary sheets, and determined that during the four-week time study period, shelter staff collectively spent 2,800 minutes performing the same treatment activities noted above for 589 animals. We applied the results of time study #2 exactly like time study #1—by calculating a reimbursable rate per employee classification and applied this rate to the percentage of animals included in the time-study by the total number of animals impounded at the shelter.

**Understated Material and Supply Costs**

The county did not claim reimbursement for material and supply costs during the audit period. We determined that \$26,186 is allowable.

Subsequent to the issuance of the draft report, the county provided invoices supporting costs incurred for wellness vaccines totaling \$108,498 during the period of FY 2002-03 through FY 2007-08. The county was unable to provide any wellness vaccine invoices for FY 1998-99 through FY 2001-02. However, we realize that the county incurred costs for the activity of administering wellness vaccines to dogs and cats during these first four fiscal years of the audit period. Accordingly, we applied three-year averages of annual wellness vaccine costs incurred in the amount of \$9,716 for dogs and \$10,276 for cats based upon actual costs incurred by the county during FY 2002-03, FY 2004-05, and FY 2005-06.

We applied the pro rata portion of animals to the annual wellness vaccine costs and determined that \$26,186 is allowable. The pro rata portion is percentage of stray and abandoned animals that died during the holding period plus those that were ultimately euthanized to the total number of animals housed at the shelter during each fiscal year.

The following table summarizes the pro-rata calculations and allowable material and supply costs for the audit period by fiscal year:

Fiscal Year	Eligible No. of Animals	Total No. of Animals	Ratio	Wellness Vaccine Costs	Reimbursable Amount
Dogs:					
1998-99	359	4,525	7.93%	\$ 4,858	\$ 385
1999-00	1,278	9,853	12.97%	9,716	1,260
2000-01	950	9,027	10.52%	9,716	1,023
2001-02	1,353	8,864	15.26%	9,716	1,483
2002-03	1,071	7,657	13.99%	9,027	1,263
2004-05	1,016	6,661	15.25%	10,125	1,544
2005-06	1,132	6,760	16.75%	9,996	1,674
2006-07	1,196	6,704	17.84%	10,648	1,900
2007-08	1,283	6,830	18.78%	12,738	2,393
Dogs, total allowable costs				86,540	12,925
Cats:					
1998-99	303	3,510	8.63%	5,138	444
1999-00	1,323	7,927	16.69%	10,276	1,715
2000-01	792	7,072	11.20%	10,276	1,151
2001-02	955	6,298	15.16%	10,276	1,558
2002-03	1,123	6,029	18.63%	9,291	1,731
2004-05	1,217	5,905	20.61%	9,814	2,023
2005-06	954	7,627	12.51%	11,722	1,466
2006-07	966	8,339	11.58%	10,878	1,260
2007-08	1,099	8,185	13.43%	14,259	1,915
Cats, total allowable costs				\$ 91,930	13,262
Audit adjustment					\$ 26,186

### Contract Services Costs

The county claimed reimbursement of \$76,928 for contract services costs during the audit period. We determined that none of the costs are allowable because they were not adequately supported.

For FY 1999-2000, FY 2000-01, and FY 2001-02, the county claimed \$76,928 by multiplying the veterinarians' and registered veterinarian technicians' annual salaries by the percentage of stray euthanized and died animals to the total population of animals impounded at the shelter. This is the same methodology that the county used to calculate reimbursement for salaries and benefits. We disagreed with this methodology, as noted above in the Overstated Salaries and Benefits section.

The county performed a treatment time-study in 2002 and 2006, as described above. The treatment time studies consisted of both an initial physical exam of the animal and a wellness vaccine; these are both reimbursable activities. We calculated the allowable costs based on these two time studies as salaries and benefits; therefore, the allowable time for registered veterinarian technicians' has already been determined.

The county did not provide any veterinarian invoices for FY 1999-2000, FY 2000-01, or FY 2001-02. We reviewed the invoices that the county provided for FY 2002-03 that were claimed as salaries and benefits. The invoices listed the dates and hours worked, but no descriptions were provided of either the animals treated or the specific services performed. For example, the veterinarian billed the county \$3,420 for 48 hours of non-surgical time and 21 hours of surgical time spent in the county's animal shelter during August of 2002. The county claimed reimbursement for 35% of the invoice amount as salaries and benefits. Although we concur that the veterinarians probably performed reimbursable activities, the supporting invoices would need to reflect the mandated activities that were performed and the amount that the county was billed for such services.

The parameters and guidelines (section IV.B.9–Necessary and Prompt Veterinary Care) identify the following reimbursable activities:

Beginning January 1, 1999 – For providing “necessary and prompt veterinary care” for stray and abandoned animals other than injured cats and dogs given emergency treatment that die during the holding period or are ultimately euthanized during the holding periods specified in Statutes of 1998, Chapter 752.

“Necessary and prompt veterinary care” means all reasonably necessary medical procedures performed by a veterinarian or someone under the supervision of a veterinarian to make stray or abandoned animals “adoptable.” The following veterinary procedures, if conducted, are eligible for reimbursement:

- An initial physical examination of the animal to determine the animal's baseline health status and classification as “adoptable,” “treatable,” or “non-rehabilitatable.”
- A wellness vaccine administered to “treatable” or “adoptable” animals.
- Veterinary care to stabilize and or relive the suffering of a “treatable” animal.
- Veterinary care intended to remedy any applicable disease, injury, or congenital or hereditary condition that adversely affects the health of a “treatable” animal or that is likely to adversely affect the animal's health in the future, until the animal becomes “adoptable.”

#### Population Exclusions

Eligible claimants are *not* entitled to reimbursement for providing “necessary and prompt veterinary care” to the following population of animals:

- Animals that are irremediably suffering from a serious illness or severe injury;
- Newborn animals that need maternal care and have been impounded without their mothers;
- Animals too severely injured to move or where a veterinarian is not available and it would be more humane to dispose of the animal;
- Owner relinquished animals; and
- Stray or abandoned animals that are ultimately redeemed, adopted, or released to a nonprofit animal rescue or adoption organization.

### Recommendation

We recommend that the county ensure that claimed costs include only eligible costs that are properly supported.

### County's Response

The County concurs with the SCO's recommendation that future claimed costs only include eligible costs that are properly supported.

The County is not in concurrence with SCO's position regarding unallowed costs in the amount of \$48,186 because \$39,853 is attributable to findings related to the March 26, 2010 appellate court decision in *Purifoy et al v. Howell*. . . .

[The next section of the county's response is the same as its response to Finding 2.]

The County is requesting that the SCO reverse its decision regarding this matter and allow the sum of \$39,853 for this finding related to the *Purifoy* decision.

On a separate item related to this Finding, the County provided SCO for review with documentation on potentially allowable medical supplies purchased from Victor Medical Corporation for FY 2002-03, FY 2004-05, FY 2005-06, FY 2006-07, and FY 2007-08.

### SCO's Comment

The finding and recommendation remain unchanged. As noted in the body of the finding, the medical supply invoices provided by the county subsequent to the issuance of the draft report resulted in additional allowable costs for materials and supplies totaling \$26,186.

The county concurs with the recommendation that future claimed costs include only eligible costs that are properly supported. However, the county objects to \$39,853 of the audit finding for unallowable necessary and prompt veterinary costs because the calculation of unallowable costs takes into account that Saturdays are not considered as business days. This is consistent with the First Appellate District Court decision dated March 26, 2010, in the case of *Purifoy et al v. Howell*.

The county is basing its position on two points: (1) that the State has acquiesced to the inclusion of Saturday as a business day by accepting previously filed claims under the Animal Adoption Program and (2) that SCO lacks legal authority to apply the Appellate Court decision to past and future mandated cost claims.

We noted that the county raised the same issues and used the same wording in its response to this finding as was used in its response to Finding 2—Unallowable construction of new facilities. Accordingly, our comments are the same as those cited in Finding 2.

**FINDING 9—  
Unallowable  
procuring equipment  
costs**

The county claimed \$362,041 for the costs of procuring equipment during the audit period. We determined that \$7,145 is allowable and \$354,896 is unallowable. The unallowable costs occurred because the county claimed unsupported costs (\$264,999), double-claimed allowable costs (\$61,762), claimed unallowable costs (\$18,421), and claimed reimbursement for costs that were already included in the care and maintenance formulas (\$9,714).

The following table summarizes the claimed, allowable, and unallowable costs by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Materials and supplies:			
1999-2000	\$ 35,877	\$ 3,602	\$ (32,275)
2000-01	31,099	—	(31,099)
2001-02	41,608	3,543	(38,065)
2002-03	49,151	—	(49,151)
2004-05	111,886	—	(111,886)
2005-06	23,836	—	(23,836)
2006-07	32,487	—	(32,487)
2007-08	36,097	—	(36,097)
Total	<u>\$ 362,041</u>	<u>\$ 7,145</u>	<u>\$ (354,896)</u>

**Unsupported Costs**

The county claimed \$264,999 for costs that were not supported, as noted in the table below:

<u>Description</u>	<u>Total</u>
Victor Medical	\$ (170,650)
Unknown	(92,420)
Idexx Vet Services	(965)
Antech Diagnostics	(853)
Northtown Hospital	(74)
Skill Supply	(37)
Total	<u>\$ (264,999)</u>

The parameters and guidelines (section IV.B.10–Procuring Equipment) state that:

If the medical, kennel, and computer equipment is utilized in some way not directly related to the mandated program or the population of animals listed in Section IV(B), only the prorata portion of the activity that is used for purposes of the mandated program is reimbursable.

While the \$264,999 of unsupported costs appears to be related to the Necessary and Prompt Veterinary Care cost component, no description was provided to explain the correlation of the costs to the mandated program. If the county is subsequently able to document how any of these costs are mandate-related, we will adjust the audit finding as appropriate.



### Double-Claimed Costs

The county claimed reimbursement twice for the following expenditures:

Vendor	Description	Fiscal Year		Total
		2002-03	2004-05	
Bayer Corporation	Health and nutritional products	\$ (236)	\$ (1,669)	\$ (1,905)
Farnum Companies	Parasite control, grooming, supplements	—	(36)	(36)
Shoreline	Kitty condos	—	(59,821)	(59,821)
Total adjustment		<u>\$ (236)</u>	<u>\$ (61,526)</u>	<u>\$ (61,762)</u>

The county claimed the costs in the table above under the cost component of Procuring Equipment. However, the county also included the same costs as materials and supplies in the actual cost formulas under the cost component of Care and Maintenance. As the costs were incurred for health and nutritional products, kitty condos, grooming supplies, and parasite control, we determined that these costs were allowable as claimed in the actual cost formulas for care and maintenance (see Finding 3—Unallowable care and maintenance costs).

### Unallowable Costs

The county claimed reimbursement of \$18,421 for Vortech Fatal Plus (\$4,603 for FY 1999-2000, \$6,909 for FY 2000-01, and \$6,909 for FY 2002-03), which is used for lethal injections to euthanize animals. The intent of the mandate is to reimburse counties for the increased costs associated with the increased holding period. No language in the parameters and guidelines authorizes reimbursement for expenditures related to the euthanasia of animals.

### Allowable Care and Maintenance Costs Claimed as Procuring Equipment

The county claimed \$9,714 for costs that are reimbursable under the cost component of Care and Maintenance, as noted in the following table:

Vendor	Description	Fiscal Year		Total
		2001-02	2002-03	
Bayer Corporation	Health and nutritional products	\$ (769)	\$ —	\$ (769)
Shoreline	Holding cages and platforms	—	(8,945)	(8,945)
Audit adjustment		<u>\$ (769)</u>	<u>\$ (8,945)</u>	<u>\$ (9,714)</u>

As the costs are for health and nutritional products and kitty condos, these costs were included in the actual cost formula for Care and Maintenance (as discussed in Finding 3). Accordingly, the allowable costs were already applied to the correct animal population.

The parameters and guidelines (section 10—Procuring Equipment) identifies the following reimbursable activities:

Beginning January 1, 1999 – Procuring medical, kennel, and computer equipment necessary to comply with the reimbursable activities listed in Section IV(B) of these the parameters and guidelines, to the extent these costs are not claimed as indirect cost under Section V(B). If the medical, kennel, and computer equipment is utilized in some way not directly related to the mandated program or the eligible population of animals, listed in Section IV(B) only the pro-rata portion used for the purposes of the mandated program is reimbursable.

#### Recommendation

We recommend that the county ensure that claimed costs include only eligible costs that are properly supported.

#### County's Response

The County understands the SCO's findings and concurs with its recommendation. If and when the Animal Adoption Program is reinstated the County will develop and implement policies and procedures to ensure that future claimed costs will include only eligible costs that are properly supported.

#### SCO's Comment

The county concurs with the finding and recommendation.

**FINDING 10—  
Calculation errors**

The county overclaimed \$18,073 because of two calculation errors.

The county calculated costs totaling \$1,468,115 (direct costs of \$1,236,247 and indirect costs of \$231,868) for its FY 2001-02 claim. However, the county transposed the amount and reported a total of \$1,486,115 on the claim form, resulting in \$18,000 of over-claimed costs.

The county included \$216,081 for total employee benefit costs on its FY 2005-06 claim form. However, actual employee benefit costs incurred totaled \$216,008, resulting in \$73 of over-claimed costs.

**Recommendation**

We recommend that the county review its claim forms for accuracy before filing reimbursement claims with the State.

**County's Response**

The County concurs with both the SCO's findings and recommendation. If and when the Animal Adoption Program is reinstated the County will review its claim forms for accuracy prior to submittal for reimbursement.

**SCO's Comment**

The county concurs with the finding and recommendation.

**FINDING 11—  
Misstated indirect  
costs**

The county claimed \$1,920,282 for indirect costs during the audit period. We determined that \$1,158,888 is allowable and the net amount of \$761,394 is unallowable (overstated by \$1,171,469 and understated by \$410,075). The overstatement of \$1,171,469 occurred as a result of the unallowable salaries and benefits identified in audit Findings 2 through 8. The county understated indirect costs totaling \$304,998 because it applied the rate from its Indirect Cost Rate Proposal (ICRP) to the wrong base in FY 2004-05 through FY 2007-08 and understated indirect costs of \$105,077 in FY 2007-08 because it understated the ICRP rate.

The following table summarizes the claimed, allowable, and unallowable costs for the audit period by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Indirect costs			
1998-99	\$ 61,970	\$ 23,735	\$ (38,235)
1999-2000	236,782	99,742	(137,040)
2000-01	252,210	112,541	(139,669)
2001-02	231,868	103,865	(128,003)
2002-03	416,663	181,285	(235,378)
2004-05	339,577	220,542	(119,035)
2005-06	152,146	122,353	(29,793)
2006-07	108,678	94,038	(14,640)
2007-08	120,388	200,787	80,399
Total	<u>\$ 1,920,282</u>	<u>\$ 1,158,888</u>	<u>\$ (761,394)</u>

**Unallowable Indirect Costs Related to Unallowable Salaries and Benefits**

As a result of the unallowable salaries and benefits identified in Findings 2 through 8, related indirect costs totaling \$1,171,469 are also unallowable.

**Indirect Costs Applied to the Wrong Salary Base**

The ICRP rates for FY 2004-05, FY 2005-06, FY 2006-07, and FY 2007-08 were all based on direct salaries and benefits. However, the rates were only applied to salaries in the county's claims, resulting in \$304,998 of under-claimed costs, as detailed in the table below.

<u>Category</u>	<u>Fiscal Year</u>				<u>Total</u>
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	
Benefits claimed	\$ 348,572	\$ 216,081	\$ 208,671	\$ 220,468	<u>\$1,952,070</u>
ICRP rate claimed	43.55%	28.76%	20.96%	21.46%	
Audit adjustment	<u>\$ 151,803</u>	<u>\$ 62,145</u>	<u>\$ 43,738</u>	<u>\$ 47,312</u>	<u>\$ 304,998</u>

### Understated Indirect Cost Rate

The county understated the FY 2007-08 ICRP rate by 23.56%, resulting in \$105,077 of under-claimed costs, as noted below.

Category	Fiscal Year 2007-08
Rate claimed	21.46%
Rate allowable	45.02%
Difference	23.56%
Times allowable salaries and benefits	× \$445,996
Audit adjustment	\$ 105,077

For FY 2007-08, the county calculated an indirect cost rate of 21.46%. However, we determined that the rate should have been 45.02%. The primary difference occurred because the county understated the A-87 Countywide Cost Plan charge in its ICRP. The county included only the roll-forward amount of \$422,675 in its calculation instead of the total Countywide Cost Plan charge of \$1,726,783. In addition, the county understated various indirect costs and classified “other special departmental expenses” (Account #2479) as indirect costs instead of direct costs.

### Recommendation

We recommend the county ensure that indirect costs rates are properly calculated and applied to the correct cost base in its mandated cost claims.

### County’s Response

The County concurs with the SCO’s recommendation. As mentioned previously, the State funded Animal Adoption Program has been suspended, and it is not known if the Program will be reinstated.

If and when the program is reinstated the County shall develop and implement internal policies and procedure in accordance with the reinstated Program’s Parameters and Guidelines to ensure that future indirect costs rates are properly calculated and applied to the correct cost base in its mandated cost claims

The County does not concur with the SCO’s current estimate of \$761,394 of unallowed costs. Given that the County is not in agreement with findings two, three, and eight, and has also submitted to SCO additional documentation supporting other claims in connection with this audit. SCO’s ultimate determination of allowed and unallowed indirect cost for this finding can only be made after it has reviewed and analyzed the additional support documentation referenced above, and has recalculated the impact of these changes with the current indirect cost calculations.

SCO's Comment

The finding and recommendation remain unchanged.

The county concurs with SCO's recommendation. However, the county objects to the \$761,934 audit finding amount for misstated indirect costs based on its disagreement with portions of the audit finding amounts in Findings 2, 3, and 8. However, only a portion of the \$761,934 finding amount is related to Findings 2, 3, and 8 because allowable and unallowable salary and benefit costs are also addressed in Findings 4, 5, 6, and 7. We did not revise Findings 2, 3, and 8 based upon the county's comments. Therefore, our calculations of unallowable indirect costs did not change.

The county did not address the issues of indirect costs applied to the wrong salary base during FY 2004-05 through FY 2007-08 nor the understated indirect cost rate for FY 2007-08.

The county references additional supporting documentation provided for our review. These were the wellness vaccine invoices that are addressed in Finding 8—Unallowable necessary and prompt veterinary costs. However, these were costs incurred for materials and supplies. Since the county's indirect costs were based upon salaries and benefits, the calculations of allowable indirect costs were not affected by the additional documentation provided.

**OTHER ISSUE—  
Offsetting revenues**

The county did not include any offsetting revenues in its Animal Adoption Program claims during the audit period. However, we noted that the City of Martinez contracted with Contra Costa County to provide animal shelter services during the audit period and filed Animal Adoption Program claims with the State totaling \$42,384 for FY 2006-07 and \$62,364 for FY 2007-08. We requested that the county identify, in writing, what portion of its mandated costs were funded by contract revenues received from the City of Martinez.

As requested, the county advised us in writing that all of the contract revenues received from the City of Martinez were applied to the general operating expenses of the county's animal shelter. Therefore, we will not apply any offsetting revenues to the county's claims for FY 2006-07 and 2007-08. Consequently, none of the payments received from the City of Martinez are reimbursable under the Animal Adoption Program.

**Attachment—  
County's Response to  
Draft Audit Report**

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**Animal Services Department**

4800 Imhoff Place  
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(925) 335-8300

910 San Pablo Avenue  
Pinole, California 94564-2347  
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**Contra  
Costa  
County**



Glenn E. Howell  
Animal Services Director

January 3, 2011

Mr. Jim Spano  
Chief, Mandated Cost Audits Bureau  
State Controller's Office  
Division of Audits  
P.O. Box 942850  
Sacramento, Ca 94250-5874

Dear Mr. Spano:

**RE: Response to SCO's Legislatively Mandated Animal Adoption Program Audit**

This letter is in response to the State Controller's Office (SCO) Legislatively Mandated Animal Adoption Program Audit for the period of January 1, 1999, through June 30, 2008, except July 1, 2003 through June 30, 2004.

**Finding One: Under claimed computer software costs**

Contra Costa County claimed \$70,783 for computer software costs during the audit period of which the SCO determined that \$146,768 is allowable.

**Recommendation:**

SCO recommends that the County establish and implement procedures to ensure that the County claims reimbursement for all mandated costs and properly applies the pro-rata percentage to activities that are not 100% mandated.

**County Response:** The County concurs with both the SCO's finding and its recommendation.

At this time, the County's ability to claim reimbursements in connection with the Animal Adoption Program has been suspended by the State, and it is not known

if and when the County will ever again be given the ability to claim reimbursement for this State mandated program.

If and when State reimbursement for the State mandated Animal Adoption Program is provided, the County shall develop and implement internal policies and procedures to ensure that the County has the ability to submit reimbursement claims for all mandated costs and properly apply the pro-rata percentage to activities that are not 100% mandated in accordance with the new parameters and guidelines.

**SCO Finding Two: Unallowable construction of new facility costs**

The County claimed \$1,639,734 for construction of new facilities during the audit period. SCO determined that \$688,340 is allowable and \$951,394 is unallowable. The unallowable costs occurred because the County claimed reimbursement using the wrong pro-rata calculation (\$791,364) and claimed unsupported costs (\$160,030).

**Recommendation:**

SCO recommends that the County ensure that claimed costs are properly calculated and supported by source documentation.

**County Response:**

The County concurs with the SCO's finding regarding unsupported costs in the amount of \$160,030, and concurs with the SCO's recommendation that future claimed costs are properly calculated and supported by source documentation

Presently, the State funded Animal Adoption Program has been suspended, and it is not known if and when the Program will be reinstated

If and when the Animal Adoption Program is reinstated the County shall develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure that future claimed costs are properly calculated and supported by source documentation.

The County does not concur with SCO's decision regarding unallowed costs of \$791,364 because \$427,332 of that figure is calculated based on findings related to the March 26, 2010 appellate court decision in *Purifoy et al v. Howell*.

Background. Between the issuance of the SCO's preliminary Animal Adoption Program audit results on March 24, 2010 and the SCO's revised Narrative of Audit Findings on August 13, 2010, the County noted a significant increase in unallowed costs.

Discussions with SCO audit staff revealed that the SCO decided to retroactively apply the March 26, 2010 *Purifoy* decision with respect to using Saturdays as a business day to the County's reimbursement claims in connection with this audit, resulting in an estimated increase of \$501,120 of unallowed costs for the following three SCO audit findings:

<u>Audit Finding</u>	<u>Estimated Unallowed Costs Related to Purifoy</u>
Finding Number Two	\$427,332
Finding Number Three	\$ 33,935
Finding Number Eight	\$ 39,853
Totals \$501,120	

The County is taking this position for the following reasons:

**1. The State, through its actions, has in fact acquiesced to the County inclusion of Saturday as a business day in its reimbursement claims.**

A 1998 amendment to the Food and Agriculture Code (Section 31108) required all animal shelters to hold stray dogs in impoundment for six (6) business days, not including the first day of impoundment. If the shelter has made an impounded dog available for owner redemption on one weekday evening or one weekend day, the mandatory holding period is only four (4) business days, not including the first day of impoundment.

All shelters, including Contra Costa County, which implemented this amendment experienced a significant increase in operational expenditures, none of which at that time could be reimbursed by the State, even though it was a State action with respect to the extension of the holding period that resulted in the subsequent increase in impoundment time and expense.

The County of Los Angeles, City of Lindsay, County of Tulare, County of Fresno and Southeast Area Animal Control Authority all filed a test claim with the Commission on State Mandates based on Food and Agriculture Code, section's 31108, 31752, 31752.5, 31753, 32001 and 32003.

The Commission approved the test claim as it related to the increased costs resulting from holding dogs for four (4) business days after the day of impoundment as mandated by Section 31108 (Adoption of Parameters and Guidelines, adopted February 28, 1998, corrected March 20, 2002). Saturday was considered at that time to be a business day.

As a result of this adopted test claim, the County subsequently filed a total of six claims for reimbursement to the State, all of which have included Saturday as a business day, and all of which have been subsequently accepted by the State.

It is the County's position that the State of California acquiesced to the County's inclusion of Saturday as a business day in its reimbursement claims. Not one of the above referenced six reimbursement claims were ever challenged or rejected by the State for including Saturday as a business day.

Both the County and other animal shelters in California subject to the Food and Agriculture Code (Section 31108) viewed the State's acquiescence as an affirmative representation that Saturday **is** to be counted as a business day for purposes of Section 31108 claims.

**2. SCO lacks the authority to apply the *Purifoy* decision to past and future reimbursement claims**

The *Purifoy* decision addresses the mandatory holding period only as it relates to the minimum period of time the County must hold a dog before adopting it out or being authorized to euthanize it. The *Purifoy* decision does not address how the term "business day" should be applied to reimbursement claims or the SCO's methodology.

Excluding Saturday as a business day is inconsistent with how the SCO has applied its claiming instructions, and is inconsistent with not only the intent of the State Mandate Commission's Parameters and Guidelines, but how the Parameters and Guidelines have been historically applied with respect to including and reimbursing Saturdays as a business day.

The SCO lacks the authority as well as legal directive to apply the *Purifoy* decision to past and future reimbursement claims as it has done in this finding with Contra Costa County.

The County is requesting that the SCO reverse its decision regarding this matter and allow the sum of \$427,322 for this finding related to the *Purifoy* decision.

**Finding Three: Unallowable care and maintenance costs**

The County claimed \$652,079 for care and maintenance costs. SCO determined that \$312,099 is allowable and \$339,980 is unallowable. The unallowable costs occurred because the County estimated salaries and benefits, claimed reimbursement for unallowable materials and supplies, incorrectly calculated the yearly census of dogs and cats, and incorrectly calculated the number of stray dogs and cats that died during the increased holding period or were ultimately euthanized.

**Recommendation:** The SCO recommends that the County ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**County Response:**

The County concurs with the SCO's recommendation that future claimed costs include only eligible costs, are based on actual costs, and are properly supported.

The County does not concur with SCO's position regarding unallowed costs in the amount of \$339,980 because \$33,935 is attributable to findings related to the March 26, 2010 appellate court decision in *Purifoy et al v. Howell*.

Background. Between the issuance of the SCO's preliminary Animal Adoption Program audit results on March 24, 2010 and the SCO's revised Narrative of Audit Findings on August 13, 2010, the County noted a significant increase in unallowed costs

Discussions with SCO audit staff revealed that the SCO decided to retroactively apply the March 26, 2010 *Purifoy* decision with respect to using Saturdays as a business day for the County's reimbursement claims in connection with this audit, resulting in a \$501,120 increase of unallowed costs in the following three SCO audit findings:

<u>Audit Finding</u>	<u>Estimated Unallowed Costs Related to Purifoy</u>
Finding Number Two	\$427,332
Finding Number Three	\$ 33,935
Finding Number Eight	<u>\$ 39,853</u>
Totals \$501,120	

The County is taking this position for the following reasons:

- 1. The State, through its actions, has in fact acquiesced to the County inclusion of Saturday as a business day in its reimbursement claims, and**

A 1998 amendment to the Food and Agriculture Code (Section 31108) required all animal shelters to hold stray dogs in impoundment for six (6) business days, not including the first day of impoundment. If the shelter has made an impounded dog available for owner redemption on one weekday evening or one weekend day, the mandatory holding period is only four (4) business days, not including the first day of impoundment.

All shelters, including Contra Costa County, which implemented this amendment experienced a significant increase in operational expenditures, none of which at that time could be reimbursed by the State, even though it was a State action with respect to the extension of the holding period that resulted in the subsequent increase in impoundment time and expense.

The County of Los Angeles, City of Lindsay, County of Tulare, County of Fresno and Southeast Area Animal Control Authority all filed a test claim with the Commission on State Mandates based on Food and Agriculture Code, section's 31108, 31752, 31752.5, 31753, 32001 and 32003.

The Commission approved the test claim as it related to the increased costs resulting from holding dogs for four (4) business days after the day of impoundment as mandated by Section 31108 (Adoption of Parameters and Guidelines, adopted February 28, 1998, corrected March 20, 2002). Saturday was considered at that time to be a business day.

As a result of this adopted test claim, the County subsequently filed a total of six claims for reimbursement to the State, all of which have included Saturday as a business day, and all of which have been subsequently accepted by the State.

It is the County's position that the State of California acquiesced to the County's inclusion of Saturday as a business day in its reimbursement claims. Not one of the above referenced six reimbursement claims were ever challenged or rejected by the State for including Saturday as a business day.

Both the County and other animal shelters in California subject to the Food and Agriculture Code (Section 31108) viewed the State's acquiescence as an affirmative representation that Saturday is to be counted as a business day for purposes of Section 31108 claims.

## **2. SCO lacks the authority to apply the *Purifoy* decision to past and future reimbursement claims**

The *Purifoy* decision addresses the mandatory holding period only as it relates to the minimum period of time the County must hold a dog before adopting it out or euthanizing it. The *Purifoy* decision does not address how the term "business day" should be applied to reimbursement claims or the SCO's methodology.

Excluding Saturday as a business day is inconsistent with how the SCO has applied its claiming instructions, and is inconsistent with not only the intent of the State Mandate Commission's Parameters and Guidelines, but how the Parameters and Guidelines have been historically applied with respect to including and reimbursing Saturdays as a business day.

The SCO lacks the authority as well as legal directive to apply the *Purifoy* decision to past and future reimbursement claims as it has done in this finding with Contra Costa County.

The County is requesting that the SCO reverse its decision regarding this matter and allow the sum of \$33,935 for this finding related to the *Purifoy* decision.

**Finding Four: Unallowable increased holding period costs**

The County claimed \$3,071,445 for increased holding period costs. SCO determined that \$1,567,124 is allowable and \$1,504,321 is unallowable. The unallowable costs occurred because the County claimed reimbursement for unallowable costs (\$1,761,916), overstated costs because of a transposition error (\$9,000), understated employee productive hourly rates (\$182,508), and understated employee benefit rates (\$84,087).

**Recommendation:** The SCO recommends that the County ensure that claimed costs include only eligible costs that are properly supported.

**County Response:** The County understands the SCO's findings and concurs with its recommendation.

As indicated previously, the State funded Animal Adoption Program has been suspended, and it is not known if and when the Program will be reinstated.

If and when the Animal Adoption Program is reinstated the County shall develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure that future claimed costs include only eligible costs that are properly supported.

**Finding Five: Unallowable feral cat costs**

The County claimed \$208,165 for the Feral Cat cost component during the audit period. We determined that \$98,553 is allowable and \$109,612 is unallowable. The unallowable costs occurred because the County overstated the results of its time study (\$126,325), understated employee productive hourly rates (\$12,762), and understated employee benefit rates (\$3,951).

**Recommendation:** The SCO recommends that the County ensure that claimed costs are properly supported.

**County Response:** The County understands the SCO's findings and concurs with its recommendation.

As indicated previously, the State funded Animal Adoption Program has been suspended, and it is not known if and when the Program will be reinstated.

If and when the Animal Adoption Program is reinstated the County shall develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure that future claimed costs are properly supported.

**Finding Six: Unallowable lost and found list costs**

The County claimed \$868,681 for the Lost and Found Lists cost component during the audit period. The SCO determined that \$476,126 is allowable and \$392,555 is unallowable. The unallowable costs occurred because the County overstated the results of its time study (\$333,301), claimed reimbursement of unallowable activities (\$96,214), claimed unsupported costs (\$4,789), understated employee productive hourly rates (\$30,052), understated employee benefit rates (\$5,957), underclaimed allowable costs (\$4,740), and understated costs because of a transposition error (\$1,000).

**Recommendation:** The SCO recommends that the County ensure that claimed costs include only eligible costs that are properly supported.

**County Response:** The County concurs with both the SCO's findings and recommendation.

As indicated previously, the State funded Animal Adoption Program has been suspended, and it is not known if and when the Program will be reinstated.

If and when the Animal Adoption Program is reinstated the County shall develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure that future claimed costs include only eligible costs that are properly supported

**Finding Seven: Unallowable maintaining non-medical records costs**

The County claimed \$1,969,468 for the cost component on Maintaining Non-Medical Records during the audit period. The SCO determined that \$983,741 was allowable and \$985,727 was unallowable. The unallowable costs occurred because the County overstated the results of its time study (\$1,113,842), understated employee productive hourly rates (\$119,823), and understated employee benefit rates (\$32,292).

**Recommendation:** The SCO recommends that the County ensure that claimed costs include only eligible costs that are properly supported.

**County Response:** The County understands the SCO's findings and concurs with its recommendation.



As stated previously, the State funded Animal Adoption Program has been suspended, and it is not known if and when the Program will be reinstated.

If and when the Animal Adoption Program is reinstated the County shall develop and implement policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure that future claimed costs include only eligible costs that are properly supported

**Finding Eight      Unallowable necessary and prompt veterinary care costs**

The County claimed \$659,466 for the Necessary and Prompt Veterinary Care cost component during the audit period. The SCO initially determined that all of the costs were unallowable because they were not adequately supported. However, during audit fieldwork, the SCO noted that the County performed two time studies, but the results of the time studies were not used to claim reimbursement. Based on the results of the time studies, the SCO determined that \$48,186 is allowable.

**Recommendation:** The SCO recommends that the County ensure that claimed costs include only eligible costs that are properly supported.

**County Response:**

The County concurs with the SCO's recommendation that future claimed costs only include eligible costs that are properly supported.

The County is not in concurrence with SCO's position regarding unallowed costs in the amount of \$48,186 because \$39,853 is attributable to findings related to the March 26, 2010 appellate court decision in *Purifoy et al v. Howell*.

Background. Between the issuance of the SCO's preliminary Animal Adoption Program audit results on March 24, 2010 and the SCO's revised Narrative of Audit Findings on August 13, 2010, the County noted a significant increase in unallowed costs.

Discussions with SCO audit staff revealed that the SCO decided to retroactively apply the March 26, 2010 *Purifoy* decision with respect to using Saturday's as a business day to the County's reimbursement claims in connection with this audit, resulting in a \$501,120 increase of unallowed costs in the following three SCO audit findings:

<u>Audit Finding</u>	<u>Estimated Unallowed Costs Related to Purifoy</u>
Finding Number Two	\$427,332
Finding Number Three	\$ 33,935

Finding Number Eight      \$ 39,853

Totals \$501,120

The County is taking this position for the following reasons:

- 1.     The State, through its actions, has in fact acquiesced to the County inclusion of Saturday as a business day in its reimbursement claims, and**

An 1998 amendment to the Food and Agriculture Code (Section 31108) required all animal shelters to hold stray dogs in impoundment for six (6) business days, not including the first day of impoundment. If the shelter has made an impounded dog available for owner redemption on one weekday evening or one weekend day, the mandatory holding period is only four (4) business days, not including the first day of impoundment.

All shelters, including Contra Costa County, which implemented this amendment as required, experienced a significant increase in operational expenditures, none of which at that time could be reimbursed by the State, even though it was a State action with respect to the extension of the holding period that resulted in the subsequent increase in impoundment time and expense.

The County of Los Angeles, City of Lindsay, County of Tulare, County of Fresno and Southeast Area Animal Control Authority all filed a test claim with the Commission on State Mandates based on Food and Agriculture Code, section's 31108, 31752, 31752.5, 31753, 32001 and 32003.

The Commission approved the test claimed as it related to the increased costs resulting from holding dogs for four (4) business days after the day of impoundment as mandated by Section 31108 (Adoption of Parameters and Guidelines, adopted February 28, 1998, corrected March 20, 2002). Saturday was considered at that time to be a business day.

As a result of this adopted test claim, the County subsequently filed a total of six claims for reimbursement to the State, all of which have included Saturday as a business day, and all of which have been subsequently accepted by the State.

It is the County's position that the State of California acquiesced to the County's inclusion of Saturday as a business day in its reimbursement claims. Not one of the above referenced six reimbursement claims were ever challenged or rejected by the State for including Saturday as a business day.

Both the County and other animal shelters in California subject to the Food and Agriculture Code (Section 31108) viewed the State's acquiescence as an

affirmative representation that Saturday **is** to be counted as a business day for purposes of Section 31108 claims.

**2. SCO lacks the authority to apply the *Purifoy* decision to past and future reimbursement claims**

The *Purifoy* decision addresses the mandatory holding period only as it relates to the minimum period of time the County must hold a dog before adopting it out or euthanizing it. The *Purifoy* decision does not address how the term “business day” should be applied to reimbursement claims or the SCO’s methodology.

Excluding Saturday as a business day is inconsistent with how the SCO has applied its claiming instructions, and is inconsistent with not only the intent of the State Mandate Commission’s Parameters and Guidelines, but how the Parameters and Guidelines have been historically applied with respect to including and reimbursing Saturdays as a business day.

The SCO lacks the authority as well as legal directive to apply the *Purifoy* decision to past and future reimbursement claims as it has done in this finding with Contra Costa County.

The County is requesting that the SCO reverse its decision regarding this matter and allow the sum of \$39,853 for this finding related to the *Purifoy* decision.

On a separate item related to this Finding, the County provided SCO for review with documentation on potentially allowable medical supplies purchased from Victor Medical Corporation for FY 2002-2003, FY 2004-2005, FY 2005-2006, FY 2006-2007, and FY 2007-2008.

**Finding Nine: Unallowable procuring equipment costs**

The County claimed \$362,041 for the costs of procuring equipment during the audit period. The SCO determined that \$7,145 is allowable and \$354,896 is unallowable. The unallowable costs occurred because the County claimed unsupported costs (\$264,999), double-claimed allowable costs (\$61,762), claimed unallowable costs (\$18,421), and claimed reimbursement for costs that were already included in the care and maintenance formulas (\$9,714).

**Recommendation:**

We recommend that the County ensure that claimed costs include only eligible costs that are properly supported.

**County Response:** The County understands the SCO’s findings and concurs with its recommendation. If and when the Animal Adoption Program is reinstated

the County will develop and implement policies and procedures to ensure that future claimed costs will include only eligible costs that are properly supported.

**Finding Ten: Calculation errors**

The County over claimed \$18,073 because of two calculation errors.

The County calculated costs totaling \$1,468,115 (direct costs of \$1,236,247 and indirect costs of \$231,868) for its FY 2001-02 claim. However, the County transposed the amount and reported a total of \$1,486,115 on the claim form, resulting in \$18,000 of over-claimed costs.

The County included \$216,081 for total employee benefit costs on its FY 2005-06 claim form. However, actual employee benefit costs incurred totaled \$216,008, resulting in \$73 of over-claimed costs.

**Recommendation:** The SCO recommends that the County review its claim forms for accuracy before filing reimbursement claims with the State.

**County Response:** The County concurs with both the SCO's findings and recommendation. If and when the Animal Adoption Program is reinstated the County will review its claim forms for accuracy prior to submittal for reimbursement.

**Finding Eleven: Misstated indirect costs**

The County claimed \$1,920,282 for indirect costs during the audit period. The SCO determined that \$1,158,888 is allowable and the net amount of \$761,394 is unallowable (overstated by \$1,171,469 and understated by \$410,075). The overstatement of \$1,171,469 occurred as a result of the unallowable salaries and benefits identified in audit Findings 2 through 8. The County understated indirect costs totaling \$304,998 because it applied the rate from its Indirect Cost Rate Proposal (ICRP) to the wrong base in FY 2004-05 through FY 2007-08 and understated indirect costs of \$105,077 in FY 2007-08 because it understated the ICRP rate.

**Recommendation:**

The SCO recommends that the County ensure that indirect costs rates are properly calculated and applied to the correct cost base in its mandated cost claims

**County Response:** The County concurs with the SCO's recommendation. As mentioned previously, the State funded Animal Adoption Program has been suspended, and it is not known if the Program will be reinstated.

If and when the program is reinstated the County shall develop and implement internal policies and procedures in accordance with the reinstated Program's Parameters and Guidelines to ensure that future indirect costs rates are properly calculated and applied to the correct cost base in its mandated cost claims

The County does not concur with the SCO's current estimate of \$761,394 of unallowed costs. Given that the County is not in agreement with findings two, three, and eight, and has also submitted to SCO additional documentation supporting other claims in connection with this audit. SCO's ultimate determination of allowed and unallowed indirect cost for this finding can only be made after it has reviewed and analyzed the additional support documentation referenced above, and has recalculated the impact of these changes with the current indirect cost calculations.

Please phone me at (925) 335-8370 if you have any questions. Thank you.

Sincerely,



Glenn E. Howell  
Director, Animal Services Department

CC: Jim Venneman, Audit Manager, State Controller's Office  
Lisa Kurokawa, Auditor-Charge, State Controller's Office  
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Lisa Driscoll, Officer of the County Administrator  
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